Petition

81-435

No. .....

Supreme Court, U.S.
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ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

October Term, 1981

HOLIDAY INN,

Petitioner,

vs.

HOLIDAY INNS, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Questions Presented

1. What effect does a decision of the Court of Customs and Patent Appeals ("CCPA") have on a subsequent conflicting decision of the Fourth Circuit Court of Appeals concerning the effect of a trademark registration on a prior injunction restraining petitioner from displaying its notice of registration?

2. Whether the rigid test set forth in *United States* v. *Swift & Co.*, 286 U.S. 106 (1933) or the more flexible test set forth in *United States* v. *United Shoe Machine Co.*, 391 U.S. 244 (1968) should be applied by a Federal Court when considering a request to modify an injunction?

3. Does the refusal by the court below to modify an injunction which denies petitioner a statutorily conferred right to use the trademark registration notice constitute an unconstitutional denial of a property right?

List of all Parties

Petitioner herein is Holiday Inn and respondent is Holiday Inns, Inc. Also listed as "defendant" in the caption of the decision of the Fourth Circuit Court of Appeals is Strand Development Corporation ("Strand"). Strand was a defendant on a counterclaim by petitioner in litigation which led to the injunction which is the subject of the instant petition. Strand did not take part in the proceeding before the Court below whose judgment is sought to be reviewed via this petition.

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Opinions Below

The decision and opinion of the United States Court of Appeals for the Fourth Circuit is reported at 645 F.2d 239 (4th Cir. 1981). *See* Appendix A. Rehearing was denied on May 14, 1981. *See* Appendix B. The decision and opinion of the District Court of South Carolina (Florence Division) is not reported and is set forth in Appendix C.

The decision and opinion of the District Court of South Carolina (Florence Division), which led to the injunction at issue herein, is reported at 364 F.Supp. 775 (D.S.C. 1973). *See* Appendix D. The decision and opinion of the Fourth Circuit Court of Appeals affirming the District Court decision is reported at 182 U.S.P.Q. 129 (4th Cir. 1974). *See* Appendix E.

The decision and opinion of the Trademark Trial and Appeal Board of the United States Patent and Trademark Office denying petitioner's application to register is reported at 188 U.S.P.Q. 471 (TTAB 1975). *See* Appendix F. The decision and opinion of the Court of Customs and Patent Appeals allowing petitioner's application to register its trademark HOLIDAY INN is reported at 534 F.2d 312 (CCPA 1976). *See* Appendix G.

Jurisdiction of this Court

This petition is submitted pursuant to 28 U.S.C. §1254(1) seeking review of the decision dated April 3, 1981 of the Court of Appeals for the Fourth Circuit. Rehearing was denied on May 14, 1981.

An application (A-121), pursuant to Rule 20.6, for a ten day extension of time to file this petition, was filed on August 12, 1981 and granted on August 13, 1981. A copy of the Order extending the time to file the petition for the writ is set forth in Appendix H.

Statutory Provision Involved

15 U.S.C. §1111:

> "Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark as used the words 'Registered in U.S. Patent Office' or 'Reg. U.S.Pat.Off.' or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration."

Statement of the Case

The litigation between petitioner and respondent began prior to 1973 and resulted in an injunction against petitioner (*See* Appendix D) which provided, *inter alia,* that petitioner should not continue its unauthorized use of the registration notice, ®, with its mark HOLIDAY INN. That mark was not registered in the United States Patent and Trademark Office at that time by petitioner. The District Court specifically concluded that petitioner was the first to use the mark HOLIDAY INN in the United States (in 1949). Respondent was founded in 1952 and subsequently

began use of the same mark in a different geographical area. By 1973 respondent was the largest company in the restaurant and lodging business in the United States. 364 F.Supp. at 777 (Appendix D).

The 1973 decision of the District Court of South Carolina (Appendix D) established that petitioner had the right to use the mark HOLIDAY INN in the Myrtle Beach area. That decision also resulted in an injunction against petitioner which required, *inter alia*, that petitioner cease its unauthorized use of the registration notice (*See* 15 U.S.C. §1111) since petitioner's mark was not then federally registered. Petitioner has complied in every way with this and every other aspect of the 1973 injunction. The 1973 decision of the District Court was affirmed by the Fourth Circuit Court of Appeals. (*See* Appendix E).

Petitioner applied to the United States Patent and Trademark Office for a concurrent use registration of its mark HOLIDAY INN. That application to register was vigorously opposed by respondent herein resulting in an initial denial of the application by the United States Patent and Trademark Office Trademark Trial and Appeal Board (*See* Appendix F). That decision to deny registration was subsequently reversed by the Court of Customs and Patent Appeals ("CCPA") (*See* Appendix G) in an *inter partes* appeal from the decision of the United States Patent and Trademark Office Trademark Trial and Appeal Board.

Accordingly, after a vigorously contested *inter partes* proceeding, petitioner received its federal Trademark Registration No. 1,061,893, a copy of which is set forth in Appendix I.

In arriving at its decision to allow petitioner to register the mark HOLIDAY INN, the CCPA stated the following concerning the 1973 injunction and judgment of the District Court:

> "We note, sua sponte, paragraph 1(e) of the [District Court] judgment, supra, which prohibits Applicant [petitioner herein] from using 'any indication that the defendant [petitioner herein] name is registered in the United States Patent Office,' *an appropriate injunction so long as it is not registered. We see no reason why, upon the issuance of a registration, Applicant [petitioner herein] should not be relieved of that disability, if appropriate action is taken.*" [*See* 534 F.2d at 319; emphasis added.]

Petitioner then took the appropriate action. It moved to modify the injunction. That motion was denied by the same District Court Judge who entered the 1973 injunction (*See* Appendix C). The motion was denied because, in the District Court Judge's opinion, 1) there would be few practical advantages to petitioner from its use of the registration notice, 2) petitioner misused the registration notice prior to the entry of the injunction by using it at a time when petitioner's mark was not registered, and 3) the registration notice is part of the mark and its presence or absence on petitioner's mark will tend to make its mark look more or less, respectively, like the mark of respondent, i.e., use of the notice would enhance consumer confusion.

Petitioner appealed this decision of the District Court to the Court of Appeals for the Fourth Circuit. The majority (Senior Circuit Judge Bryan and Judge Hoffman of the District Court for the Eastern District of Virginia, sitting by designation) affirmed the decision of the District

Court. Circuit Judge Phillips dissented with a detailed opinion.

The majority stated that there "is no basis for assuming that the Court of Customs and Patent Appeals' award of concurrent registration of the Local's [i.e., petitioner's] trademark lends any force of law tempering or modulating the injunction." 645 F.2d at 241. The majority applied the rigid test set forth in *United States* v. *Swift & Co.*, 286 U.S. 106 (1933) in considering whether to modify the injunction. The majority did not consider the question (although it was presented via separate briefs requested by the Court of Appeals) whether the right to use the registration notice is a property right which the District Court denied without due process.

Circuit Judge Phillips, dissenting, concluded that the *Swift* standard was "overly rigid", 645 F.2d at 245, and applied the more flexible standard set forth in *United States* v. *United Shoe Machine Co.*, 391 U.S. 244 (1968). Furthermore, the dissent pointed out that the record establishes that petitioner herein has complied with each and every restriction set forth in the 1973 injunction despite the majority's statement to the contrary. *Id.* at 246, note 2.

The dissent balanced the "tenuous threat of added confusion", *Id.* at 247, against the "simple matter of newly acquired legal right, whether or not accompanied by any objective economic or practical value", *Id.*, and concluded that the District Court decision should be reversed. In the words of Judge Phillips' dissenting opinion:

> "To deny the relief sought was in effect to nullify this legal right fairly acquired in the interval for no reason

but to avoid a highly speculative, obviously minimal, increase in confusion of service marks already long in concurrent use. In my judgment, under the flexible test of harm and continuing need properly applied to the Local Inn's motion, its request for limited relief could not be denied in the exercise of a sound legal discretion. *See System Federation 91* v. *Wright*, 364 U.S. 642, 81 S.Ct. 368, 5 L.Ed.2d 349 (1961)." [*Id.* at 247-48].

Basis for Federal Jurisdiction in the District Court

Jurisdiction in the District Court was founded upon 28 U.S.C. §1338 and 15 U.S.C. §1121.

REASONS FOR GRANTING THE WRIT

I.

THE DECISION OF THE FOURTH CIRCUIT COURT OF APPEALS CONFLICTS WITH AND PARTIALLY NULLIFIES THE PRIOR DECISION OF THE COURT OF CUSTOMS AND PATENT APPEALS WHICH GRANTED TO PETITIONER, *INTER ALIA*, THE STATUTORY RIGHT TO USE THE REGISTRATION NOTICE.

Title 15, United States Code, §1111 states that:

"Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark as used the words "Registered in U.S. Patent Office" or "Reg. U.S.Pat.Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this

> chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration."

Petitioner herein is a "registrant of a mark registered in the Patent and Trademark Office".[1] Petitioner's application to register was granted by the Court of Customs and Patent Appeals, 534 F.2d 312 (CCPA 1976). That decision also conferred upon petitioner by statute[2] the legal right to use the registration notice. The Court of Appeals decision whose review is now sought by petitioner has effectively denied that statutory right to petitioner.

The Court of Customs and Patent Appeals expressly stated, *sua sponte*, that it could "see no reason why, upon the issuance of a registration, [petitioner] should [not be allowed to use the registration notice]". *Id.* at 319.

The instant petition presents a conflict within the meaning of Rule 17.1(a)[3] of this Court. Indeed, a very unique kind of conflict is involved since a decision of the Fourth Circuit Court of Appeals conflicts with a prior decision of the Court of Customs and Patent Appeals between the same parties. The CCPA expressly stated that petitioner, pur-

1. *See* Appendix I.

2. *See* 15 U.S.C. §1111.

3. Rule 17.1(a) reads as follows:

"When a federal court of appeals has rendered a decision in conflict with the decision of another federal court of appeals on the same matter; or has decided a federal question in a way in conflict with a state court of last resort; or has so far departed from the accepted and usual course of judicial proceedings, or so far sanctioned such a departure by a lower court, as to call for an exercise of this Court's power of supervision."

suant to 15 U.S.C. §1111, should be allowed to use the registration notice. The Fourth Circuit held the opposite.

The Court of Customs and Patent Appeals is an appellate court having jurisdiction which is, for the most part, different from that of the Fourth Circuit Court of Appeals. The instant petition is believed to be the first in this Court's history to present a conflict between this specialized federal appellate Court and a Circuit Court of Appeals between the same parties.

Besides presenting a unique conflict vis-a-vis the particular federal appellate courts involved herein, the instant petition presents an issue believed to be of first impression in this Court concerning whether the particular legal right involved is a property right. Furthermore, the instant petition presents the issue as to the appropriate standard to be applied by a federal court in considering a request to modify an injunction.

II.

THE FLEXIBLE STANDARD SET FORTH IN THIS COURT'S OPINION AND DECISION IN *UNITED STATES* v. *UNITED SHOE MACHINE CO.* SHOULD BE APPLIED BY A FEDERAL COURT WHEN CONSIDERING A REQUEST TO MODIFY AN INJUNCTION.

The majority of the Fourth Circuit Court of Appeals commenced its consideration of petitioner's request to modify the injunction by reference to Mr. Justice Cardozo's cautions in *United States* v. *Swift & Co.*, 286 U.S. 106 (1933):

> "There is need to keep in mind steadily the limits of inquiry proper to the case before us. We are not framing a decree. We are asking ourselves whether anything has happened that will justify us now in changing a decree. *The injunction, whether right or wrong, is not subject to impeachment* in its application to the conditions that existed at its making. . . . The inquiry for us is whether the changes are *so important that dangers, once substantial, have become attenuated to a shadow.* No doubt the defendants will be better off if the injunction is relaxed, but they are not suffering hardship so extreme and unexpected as to justify us in saying that they are the victims of oppression. *Id.* at 119, 52 S.Ct. at 464 (accents added)." [645 F.2d at 240]

As the dissenting opinion notes, the *Swift* formulation "has inevitably come to be the starting point in subsequent judicial analysis [of requests to modify injunctions]." *Id.* at 245. Judge Phillips recognizes that:

> "If the *Swift & Co.* formulation is given that general significance and treated as embodying cumulative specific tests, it would allow modification only if a party seeking relief from an injunction could demonstrate *both* a lack of any further need for it to achieve the purposes of the litigation *and* hardship resulting from the denial of relief so 'extreme' as to constitute 'oppression'." [*Id.*]

It is respectfully submitted that *Swift* should be read in the context of its specific facts rather than as a general prescription for the exercise of equity powers in all cases.

Judge Phillips, in his dissenting opinion, describes the special facts of *Swift*[4] and cautions against an overly rigid, general application of *Swift*.

> "The Supreme Court has since cautioned against overly rigid, general applications of the *Swift & Co.* formulation. *See United States* v. *United Shoe Machine Co.*, 391 U.S. 244, 248, 88 S.Ct. 1496, 1499, 20 L.Ed.2d 562 (1968). Judge Friendly has sounded a similar caution, noting that the usual case 'involves no such sharp conflict between wrong-doing and right-doing as did *Swift.*' *King-Seeley Thermos Co.* v. *Aladdin Industries, Inc.*, 418 F 2d 31, 35 (2d Cir. 1969). In this circuit we have, I submit, been properly selective and flexible in our application of the *Swift & Co.* standard, depending upon the nature of the litigation, the injunction at issue and the scope of relief sought. *Compare Tobin* v. *Alma Mills*, 192 F.2d 133 (4th Cir. 1951) (FLSA injunction dissolved) *with Brooks* v. *County School Board of Arlington County, Virginia*, 324 F.2d 303 (4th Cir. 1963) (school desegration decree not dissolved)." [*Id.*]

Judge Phillips then concludes that *Swift's*

> "general teaching—as opposed to its specific application—is merely that harm and continuing need must always be weighed in the balance in deciding whether continued enforcement of any injunctive decree is equitable in the light of specific changed circumstances. *See United States* v. *Swift & Co.*, 189 F.Supp. 885, 905

4. In *Swift & Co.*:

> ". . . general relief was being sought from the historic anti-trust consent decree involving the big five meat packers. The public stakes in maintenance of the decree were great; the complexity of the economic harm being sustained was equally great and difficult to assess. The case was in consequence a very special one for application of the modification power, and the application made was correspondingly a quite special one." [*id.*]

(N.D.Ill. 1960). The proper test is therefore necessarily a flexible one, greatly dependent upon the particular facts of the case. In another *Swift & Co.* setting fraught with massive public interest in preventing a resumption of massive wrong-doing, the Cardozo formulation might properly be treated as having narrow precedential force. But not every case is a *Swift & Co.*, and this one most assuredly is not." [*Id.*]

Were Judge Phillips' view of *Swift* to be applied to the instant case, the factual findings of the District Court would "reduce the final balancing problem to two single conflicting considerations that, properly weighed, conclusively demonstrate the inequity of continuing the prohibition." *Id.* at 247. These conflicting considerations are, on the one hand, the District Court's opinion that allowing petitioner to use the mark would somehow increase confusion, and, on the other hand, the right of petitioner to use the registration notice. The latter right "is one generally authorized by federal statute and now specifically established by an intervening, unchallenged federal judicial decision." *Id.*

Even assuming some increase in confusion in the mind of the public by petitioner's use of the registration notice, it is respectfully submitted that that added confusion is overpowered by petitioner's newly acquired legal right, whether or not accompanied by any objective economic or practical value. *Cf. Coca Cola Co.* v. *Standard Bottling Co.*, 138 F.2d 788 (10th Cir. 1943) where an injunction against use of a service mark was dissolved in light of an intervening decision to the effect that an adverse party had no exclusive right to use the mark.

Furthermore, even if this objective economic value were to be totally discounted, there remains an intrinsic, subjective value in having the public know of the existence of any legal right that has been in public dispute. As the dissenting opinion states:

> "This is a value that has not, and could not properly, be discounted by the district court in assessing harm. Ultimately at stake was the right publicly to signal by the registration symbol a fact long since established, but not generally signalled, by the injunction decree itself—that the Local Inn's concurrent use of its service mark was legally authorized. In view of the high likelihood—clearly a matter for judicial notice—that public doubt about the legality of the use might continue, the significant intangible (if no other) value of this right is manifest. So, necessarily, is the significance of the harm resulting from its denial." [645 F.2d at 247, note 4]

Finally, even if the *Swift* "attenuated to a shadow" test were to be rigidly applied in the instant case, that standard would be met here. The minor modification to the injunction requested by petitioner herein is with respect to petitioner's *unauthorized* use of the registration notice. Petitioner's use of the registration notice was *unauthorized* only so long as petitioner's application to register had not issued. That event has subsequently taken place.[5] Petitioner's use of the registration notice has been *authorized* by the intervening decision of the CCPA. By this intervening authorization of petitioner's use of the registration notice, the "danger" whose "attenuation" is being assessed, has been not merely "attenuated to a shadow" but completely removed. *Id.* at 247, note 3.

5. *See* Appendix I.

III.

THE DISTRICT COURT'S REFUSAL TO MODIFY THE INJUNCTION IS A DENIAL OF A STATUTORILY CONFERRED RIGHT TO USE THE TRADEMARK REGISTRATION NOTICE AND CONSTITUTES AN UNCONSTITUTIONAL DENIAL OF A PROPERTY RIGHT.

Several definitions of the terms "property" and "property right" have been established by this Court. The term "property right" has been construed broadly by reference to the second edition of *Webster's New International Dictionary* which defines "property" as "any valuable right or interest considered primarily as a source or element of wealth". *See United States* v. *Tropiano*, 418 F.2d 1069, 1075 (2d Cir.), *cert. denied*, 397 U.S. 1021 (1969); and *Bianchi* v. *United States*, 219 F.2d 182, 189 (8th Cir.), *cert. denied*, 349 U.S. 915 (1955).

This Court has also defined the type of property protected by procedural due process in *Board of Regents* v. *Roth*, 408 U.S. 564, 577 (1972):

> "To have a property interest in a benefit, a person clearly must have more than an abstract need or desire for it. He must have more than a unilateral expectation of it. He must, instead, have a legitimate claim of entitlement to it."

By either definition, the right to use the registration notice is a property right. It is beyond dispute that a registrant receives the right to use the registration notice upon the registration of his mark.[6] The only question here is whether that right constitutes a *property* right.

6. *See* 15 U.S.C. §1111.

Under the *Tropiano* and *Bianchi* definition, display of the registration notice is a property right because it is a *valuable* right as evidenced by the fact that substantially all trademark registrants use the notice. It is a *source of wealth* because it constitutes notice of the registration and its use enables the registrant to collect profits and damages for any infringement even absent actual notice.[7] In the absence of actual notice of infringement these profits and damages cannot be collected where, as here, the registrant is denied the right to use the registration notice.

Under the *Roth* definition, display of the registration notice is a property right because the registrant has a *claim of entitlement* to that right. The claim of entitlement is set forth in 15 U.S.C. §1111. Although the language of §1111 is permissive in the sense that a trademark registrant "*may* give notice that his mark is registered", the right to use the registration notice is not permissive in the sense that any registrant is entitled by law to use it and that entitlement may not be denied.

Furthermore, remoteness or proximity of the profits and damages are not to be considered. A patent right, for example, is considered to be a property right even though no one is presently infringing the patent and even though there is no probability of infringement (and thus no damages) in the future. *See Bianchi, supra.*

The automatic denial by the court below of petitioner's right to use the registration notice by its refusal to modify the 1973 injunction constitutes an unconstitutional denial of a property right.

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7. *Id.*

Conclusions

The decision of the Fourth Circuit Court of Appeals conflicts with and partially nullifies the prior decision of the Court of Customs and Patent Appeals which granted to petitioner, *inter alia*, the statutory right to use the registration notice. The courts below should have applied the flexible standard set forth in *United States* v. *United Shoe Machine Co.* in considering petitioner's request to modify the injunction prohibiting petitioner from using the registration notice. Even if the more rigid standard set forth in *United States* v. *Swift & Co.* were to be used, that standard is met in the instant case since petitioner's use of the registration notice, once prohibited as unauthtorized, is now expressly authorized by statute, thus completely removing the danger against which the injunction was originally established to protect. Finally, the refusal by the court below to modify the injunction is a denial of a statutorily conferred right to use the trademark registration notice and as such constitutes an unconstitutional denial of a property right.

Petitioner respectfully submits that this petition is meritorious and should be granted by this Court.

Respectfully submitted,

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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS

FOURTH CIRCUIT

No. 79-1761

HOLIDAY INNS, INC.,

Appellee,

v.

HOLIDAY INN,

Appellant,

v.

STRAND DEVELOPMENT CORPORATION,

Defendant.

Argued June 4, 1980.

Decided April 3, 1981.

Before BRYAN, Senior Circuit Judge, PHILLIPS, Circuit Judge, and HOFFMAN, United States District Judge for the Eastern District of Virginia, sitting by designation.

ALBERT V. BRYAN, Senior Circuit Judge:

This appeal is from the Federal District Court of South Carolina's denial of the motion by defendant Holiday Inn (the Local), a motel-restaurant in Myrtle Beach, South Carolina, for relaxation of an injunction the Court had

granted in 1973 to Holiday Inns, Inc. (the Chain), a national and international operation in the same business with its name duly registered under 15 U.S.C. § 1111.[1] The injunction prohibited the Local from indicating that its name HOLIDAY INN was registered by the U. S. Patent Office.[2] Specifically it proscribed the Local's usage of the symbol ® in connection with its insignia. The order on appeal reaffirmed the injunction and declared that the subsequent acquisition by the Local of a limited registration from the Court of Customs and Patent Appeals in 1976, did not warrant the modification. Maintaining the continued efficacy of the injunction, we refuse to overrule the trial judge's order denying the motion.[3]

For decision upon the District Court's refusal to relax its injunction, our course is charted by Mr. Justice Cardozo's cautions in *United States* v. *Swift & Co.*, 286 U.S. 106, 52 S.Ct. 460, 76 L.Ed. 999 (1933):

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1. 15 U.S.C. § 1111:

> [A] registrant of a mark registered in the Patent Office, may give notice that his mark is registered by displaying with the mark as used the words "Registered in U.S. Patent Office" or "Reg. U.S. Pat. Off." or the letter R enclosed with a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration. . . .

2. *Holiday Inn v. Holiday Inns, Inc.*, 534 F.2d 312 (C.C.P.A. 1976).

3. The issuance of the injunction originally by the District Court was reported as *Holiday Inns, Inc. v. Holiday Inn*, 364 F.Supp. 775 (D.S.C. 1973). It was affirmed by this court, 498 F.2d 1397 (1974) (unpublished opinion), on the findings of the District Court. The present appeal is solely upon the denial of modification by the District Court for the reasons stated in its order, *Holiday Inns, Inc. v. Holiday Inn*, No. 70-811 (D.S.C. Oct. 24, 1979).

> There is need to keep in mind steadily the limits of inquiry proper to the case before us. We are not framing a decree. We are asking ourselves whether anything has happened that will justify us now in changing a decree. *The injunction, whether right or wrong, is not subject to impeachment* in its application to the conditions that existed at its making. . . . The inquiry for us is whether the changes are *so important that dangers, once substantial, have become attenuated to a shadow.* No doubt the defendants will be better off if the injunction is relaxed, but they are not suffering hardship so extreme and unexpected as to justify us in saying that they are the victims of oppression.
>
> * * *

Id. at 119, 52 S.Ct. at 464 (accents added).

The words are an immediate reminder that we are not to question the right or wrong of the issuance of the injunction decreeing that:

> Defendant [Holiday Inn], its officers agents, servants, employees and attorneys and all those persons in active concert or participation therewith, who receive actual notice hereof, are hereby perpetually enjoined and restrained from:
>
> * * *
>
> (e) Using directly or indirectly any indication that the defendant's name is registered in the United States Patent Office.[4]

364 F.Supp. at 786.

To begin with, incontrovertibly the injunction was violated whenever the Local used the symbol ® in connection with its name in advertisements, publications or elsewhere. Of course, this litigation is not confined to the use of the ® just in itself but, rather, embraces also the sig-

4. The right of the Local to continue in the use of the name Holiday Inn within the town of Myrtle Beach was not questioned.

nificance accorded the symbol by statute, i. e., it is the equivalent of the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off.," 15 U.S.C. § 1111, *supra* note 1 (text quoted). Nor is there any question of the *power* of this court to continue the exclusivity preserved by the District Court. The single inquiry is whether the change now sought is warranted by the evidence. There is no basis for assuming that the Court of Customs and Patent Appeals' award of concurrent registration of the Local's trademark lends any force of law tempering or modulating the injunction; that award does not *ex proprio vigore* override in any degree the District Court's injunction.

Returning to the question of this court's abatement or modification of the injunction, our first ground for refutation of appellant's motion rests on the premise of Justice Cardozo: the decree is "not subject to impeachment in its application to the *conditions that existed at its making* . . ." 286 U.S. at 119, 52 S.Ct. at 464 (accent added). Justification for the injunction was laid, in the appeal of it to this court, "upon the District Court's findings of fact." 498 F.2d 1397 (1974) (unpublished opinion). No longer open to "impeachment" or to vacation when, as here, they are not assertedly erroneous, Rule 52, Fed.R.Civ.P., the following findings accurately reflect the "conditions" before, and as of, March 14, 1973 when the injunction issued.

1. Holiday Inns, Inc. (the Chain) was founded in 1952 in Memphis, Tennessee and since that time has become the largest factor in the restaurant and lodging business in the United States. Permanent displays were developed and placed on each facility, including the one at Myrtle Beach. One was the "great sign," having a green background with HOLIDAY INN in distinctive script lettering, a large star

at the top, and an orange arrow running from the top to the bottom pointing to the location of the restaurant. In addition, the name is printed in large lettering in script on the side or face of the building. Its slogan was "your host from coast to coast."

2. The United States Patent Office registered the Chain's service marks beginning in 1954. They have been well known to the American traveling public. Numerous advertisements, appearing in magazines and newspapers as well as on radio, television and billboards, embody the symbol ® or the words, "Reg. U.S. Pat. Office."

3. The Local was incorporated in 1960, having prior thereto operated as a partnership or proprietorship. In 1948 it began business under the name of Ocean Front Lodge, consisting of eight frame structures. In August 1955, a new sign was erected bearing the words HOLIDAY INN. The lettering was in script and materially identical to that of the Chain's, which had been adopted in 1952 and, as mentioned, registered in 1954. In recent years the Local has placed stars near the words HOLIDAY INN. It has also distributed towels, parking lot identification stickers and notices to guests bearing the insignia "HOLIDAY INN ®."

4. In 1968 the Local erected a sign in its parking lot across the street from its facilitiy. The manager of the Local requested the sign maker to provide a sign which would resemble, but not exactly duplicate, the plaintiff's "great sign." He was given one of the Chain's brochures to copy. The production so resembled the "great sign" of the Chain that the manager in his testimony could not describe any differences between the Local's sign and the Chain's without first seeing photographs of them.

> When comparing the two photographs the Court can distinguish one from the other, but the signs are so similar that the traveling public would be easily confused and upon seeing defendant's sign would conclude that it was a franchise of plaintiff or affiliated with it. The colors of the two signs are almost identical. The use of stars, the big arrow, the attraction panel and the script of Holiday Inn are so similar that the Court *can only conclude that defendant erected this sign with the intent and purpose of infringing the rights of the plaintiff and unfairly competing* with it.
>
> • • •
>
> In the past confusion has been deliberately and systematically nurtured by the *defendant* [the Local] in an *effort to profit from the national recognition and good will* of the plaintiff [the Chain].
>
> • • •
>
> [Again,] [in] the present case, the [Chain's] wrong, if any, is delay, while the [Local's] wrong is intentional deception and use of the [Chain's] marks to the detriment of the [Chain] and the confusion of the public.

364 F.Supp. at 779-80, 784 (accents added).

The foregoing numbered sections are the unassailable findings of the District Court (repeated in direct quotation or, for brevity, in substance) upon which it issued the injunction. The findings are essential to the pending issue for *they foretell why the injunction should not be modified.*

The Local's behavior in the past predicts what its conduct may, with reason, be expected in the future if the Chain's trademarks are stripped of their potency by the duplication. Clearly, it will allow the Local to "identify with and trade upon the [Chain's] good will," to quote the language of the trial judge. *Id.* at 783.

To repeat, appellant's motion does not meet Justice Cardozo's measure of justification for "changing" the injunction. 286 U.S. at 119, 52 S.Ct. at 464. Truth is the Local's misconduct evinces no hint of cessation or dilution. On the contrary, it has never lessened in its constancy. Amazing, indeed, is the failure of the Local to give evidence of any diminution in its imitating of the Chain's presentations.

In his findings precedent to refusal of the modification, the District Judge squarely refutes the contention that the injunction, unmodified, deprived the Local of economic benefits to the point of "oppression" as enunciated by Justice Cardozo. *Id.* at 119, 52 S.Ct. at 464. The pertinent parts of the trial court's findings are these:

> After careful review of defendant's memorandum and supplemental memerandum in support of its present motion, the Court can see little, if any practical benefit to be derived by the defendant by use of ® in the restricted area of Myrtle Beach, South Carolina. In the original Order this Court found that most of the confusion in Myrtle Beach was caused by efforts of the defendant Holiday Inn (a South Carolina corporation with one motel at Myrtle Beach) to identify itself with the plaintiff Holiday Inns, Inc. (the national chain). In that Order it was found that the defendant's summer season is always full and it enjoys approximately 80% repeat business, which had not suffered because of the construction and operation of motels in the Myrtle Beach area affiliated with the plaintiff.

Holiday Inns, Inc. v. Holiday Inn, No. 70-811 (D.S.C., Oct. 24, 1979) (order denying motion to modify injunction).

The closely reasoned conclusions of the District Court will be

Affirmed.

JAMES DICKSON PHILLIPS, Circuit Judge, dissenting:

Mindful that we review a ruling committed to trial court discretion, and that the discretion was here exercised by an able judge carefully informed in the matter, I would nevertheless reverse. In my view the unique change in legal circumstances upon which the motion to modify the injunction was based could not properly be ignored in the exercise of a sound judicial discretion. I think it compelled granting the narrow relief from the comprehensive injunction that the Local Inn sought.

I

The unique quality of the change in circumstance can only be appreciated by puting the motion to modify in full procedural and historical centext. The critical facts are these. From the late 1960's to the time of the ruling under review these parties had been embroiled in controvery spawned by the use of identical Holiday Inn service names. The Local Inn—and this is a fact not to be forgotten—was the first user, having operated a local motel and restaurant in Myrtle Beach, South Carolina, under the style Holiday Inn since 1949. The Chain was only founded in 1952 but has since expanded to its present status as a major national and international operator of motels, restaurants and related facilities under the same service name. In 1954, 1960 and 1962 the Chain registered with the United States Patent Office a number of service marks and slogans for use in promoting its operation. As will later be developed, the Local Inn did not seek registration of any mark until 1970, and only obtained a concurrent use registration in 1976.

Direct conflict between the parties began around 1956 when the Chain first franchised a facility in Myrtle Beach.

Since then the controversy has proceeded in and out of court. From the outset the Local Inn baldy and, as it developed, illegally sought to capitalize on the Chain's mounting reputation by near duplications of its service mark signs and slogans. In the meantime, the Chain expanded its operations in the Myrtle Beach area while seeking in various ways to fend off the Local Inn's damaging competitive maneuvers. Eventually, inevitably, litigation ensued.

In 1970 the Local Inn, which had not until then registered any service mark, began a concurrent use proceeding in the Patent and Trademark Office, seeking registration of its distinctive Holiday Inn service mark for concurrent use in the Myrtle Beach area. While this proceeding was pending, the Chain commenced the instant action against the Local Inn in United States District Court, alleging unfair competition and service mark infringement. The concurrent use proceeding in the Patent Office was suspended during the pendency of the unfair competition and infringement action which then proceeded to final judgment in 1973. This 1973 judgment granted the permanent injunction whose modification is here in issue, based upon findings and conclusions that the Local Inn had engaged in specific acts of unfair competition and service mark infringement. The injunctive decree tracked in its specific prohibitions the specific acts of unfair competition and infringement alleged by the Chain and determined by the court to have been established by the evidence: using the registered script Holiday Inn mark; using the Chain's registered "great sign"; using any slogans or symbols suggestive by their similarity to the Chain's registered ones of a connection with the Chain. Also specifically prohibited was the

use here in issue of "any indication that the [Local Inn's] name is registered in the United States Patent Office." Finally, and most importantly, the decree authorized the Local Inn to continue use of a distinctive, noninfringing Holiday Inn service mark within the Town of Myrtle Beach. *Holiday Inns, Inc. v. Holiday Inn,* 364 F.Supp. 775, 786-87 (D.S.C.1973).

Following affirmance of the district court's judgment by this court, 498 F.2d 1397 (4th Cir. 1974), the concurrent use proceeding in the Patent and Trademark Office was resumed, with the Chain there actively contesting the restricted registration now sought by the Local Inn. In 1976, following appeal from an administrative denial of the registration, the Court of Customs and Patent Appeals reversed. *Holiday Inn v. Holiday Inns, Inc.,* 534 F.2d 312 (C.C.P.A.1976). The Local Inn was awarded a registration for its service mark, restricted in style to plain block letters and in location to Myrtle Beach, in conformity with the restriction on style and location embodied in the 1973 decree.

The restricted registration was granted under section 2(d), of the Lanham Act, 15 U.S.C. § 1052(d), which allows concurrent registration "when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce." The Court of Customs and Patent Appeals held that concurrent registration was proper under section 2(d) provided that the registration contained conditions and limitations corresponding to those contained in the district court judgment. This applied the rule that where a court has previously allowed more than one person to use a mark in commerce, concurrent registration is proper without an additional determination that there is no likelihood of con-

fusion, mistake or deception, but that the registration must contain whatever conditions and limitations were imposed by the prior judgment and may not be unrestricted. 534 F.2d at 318.

It was with this restricted registration of its service mark that the Local Inn returned to the district court seeking a modification of only that part of the broad 1973 injunction that prohibited any direct or indirect indication that its name was registered. Arguing that as an incident to registration, the owner of a trademark or service mark is entitled by section 29 of the Lanham Act, 15 U.S.C. § 1111,[1] to give appropriate notice of registration, the Local Inn sought permission to use the circled R, ®, with its now duly registered service name HOLIDAY INN. In denying the motion the district court explicitly relied upon its conclusions that there would be little damage resulting from an inability to use the ®, that few practical benefits would result, and that confusion would increase rather than decrease were the local establishment allowed to use the ® with its name. *Holiday Inns, Inc. v. Holiday Inn*, No. 70-811, mem. op. 3-5 (D.S.C. Oct. 24, 1979).

II

Without questioning the validity of these general conclusions of the district court about the likely practical con-

1. 15 U.S.C. § 1111 provides:

Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark as used the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.

sequences of granting or withholding the relief sought, I would nevertheless find reversible error in the denial of the motion to modify. In my view, the critical factor that should have controlled decision here did not lie in any practical consequences attending the grant or denial of relief that could fairly be predicted for either of the parties or the public. With the district court, I would assess those consequences—for all interested parties—as essentially insignificant or merely speculative. With those consequences therefore discounted, the critical factor that remained was the Local Inn's intervening acquisition in a valid, contested proceeding against the Chain of a legal right to use the registration symbol in conjunction with its noninfringing service mark—a right that it did not have when the 1973 injunction was entered. Both the district court and the majority have erred in my judgment in applying an overly rigid standard for relief that has obscured this factor's controlling significance. To show why requires an analysis of the power whose exercise is at issue.

Analysis must start with the specific authority invoked by the Local Inn in seeking relief from the 1973 injunction. The basic authority is clear enough. Under Fed.R.Civ.P. 60(b)(5) a district court may grant partial or total relief from a permanent injunction if "it is no longer equitable that the judgment should have prospective application." Though codified by rule, this simply expresses the inherent power, not dependent upon rule, possessed by courts of of equity to modify or vacate their decrees "as events may shape the need." *United States v. Swift & Co.*, 286 U.S. 106, 114, 52 S.Ct. 460, 462, 76 L.Ed. 999 (1932). In the traditional formulation, if the circumstances of law or of fact existing at the time an injunction is issued have changed,

then "a sound judicial discretion *may* call for the modification of [its] terms . . ." *System Federation No. 91 v. Wright*, 364 U.S. 642, 647, 81 S.Ct. 368, 371, 5 L.Ed.2d 349 (1961) (emphasis added). The rub of course has come in determining whether a particular change *does* call for modification. This determination is necessarily committed in the first instance to trial court discretion—preferably that of the injunction court, *see id.* at 647, 81 S.Ct. at 371—and the discretion thus committed is necessarily "wide" though "never without limits." *Id.* at 648, 81 S.Ct. at 371. The precise nub of the rub has been in devising a standard by which the discretion—wide but not unlimited—may be guided in the trial court and reviewed on appeal.

Justice Cardozo's famous formulation in *United States v. Swift*—quoted and extensively relied upon by the majority here as supplying the appropriate standard—has inevitably come to be the starting point in subsequent judicial analysis. Inevitably also—given the authorship—courts have sometimes been tempted to ascribe to its several felicities of phrase—"dangers . . . attenuated to a shadow," "hardship so extreme and unexpected," "victims of oppression," "instrument of wrong"—a talismanic significance that, with all deference, I suggest the author of *The Nature of the Judicial Process* would never have claimed for them. If the *Swift & Co.* formulation is given that general significance and treated as embodying cumulative specific tests, it would allow modification only if a party seeking relief from an injunction could demonstrate *both* a lack of any further need for it to achieve the purposes of the litigation *and* hardship resulting from the denial of relief so "extreme" as to constitute "oppression." Admittedly, some courts have seemed so to read *Swift & Co.*

See SEC v. *Thermodynamics, Inc.*, 464 F.2d 457 (10th Cir. 1972); *Humble Oil & Refining Co. v. American Oil Co.*, 405 F.2d 803 (8th Cir. 1969). With all respect for those courts, I do not think that the equity powers whose exercise we review should be considered so generally circumscribed and rigidly ordered.

The *Swift & Co.* formulation must, I think, be read simply as a description of the proper exercise of those powers in the particular context of the case before that Court rather than as a general prescription for their exercise in all cases. In *Swift & Co.* general relief was being sought from the historic anti-trust consent decree involving the big five meat packers. The public stakes in maintenance of the decree were great; the complexity of the economic harm being sustained was equally great and difficult to assess. The case was in consequence a very special one for application of the modification power, and the application made was correspondingly a quite special one. The Supreme Court has since cautioned against overly rigid, general applications of the *Swift & Co.* formulation. *See United States v. United Shoe Machine Co.*, 391 U.S. 244, 248, 88 S.Ct. 1496, 1499, 20 L.Ed.2d 562 (1968). Judge Friendly has sounded a similar caution, noting that the usual case "involves no such sharp conflict between wrongdoing and right-doing as did *Swift*." *King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 418 F.2d 31, 35 (2d Cir. 1969). In this circuit we have, I submit, been properly selective and flexible in our application of the *Swift & Co.* standard, depending upon the nature of the litigation, the injunction at issue and the scope of relief sought. *Compare Tobin v. Alma Mills*, 192 F.2d 133 (4th Cir. 1951) (FSLA injunction dissolved) *with Brooks v.*

County School Board of Arlington County, Virginia, 324 F.2d 303 (4th Cir. 1963) (school desegregation decree not dissolved).

Remembering that we are dealing with the exercise of discretionary equity powers, I suggest that *Swift & Co.*'s general teaching—as opposed to its specific application—is merely that harm and continuing need must always be weighed in the balance in deciding whether continued enforcement of any injunctive decree is equitable in the light of specific changed circumstances. *See United States v. Swift & Co.*, 189 F.Supp. 885, 905 (N.D.Ill.1960). The proper test is therefore necessarily a flexible one, greatly dependent upon the particular facts of the case. In another *Swift & Co.* setting fraught with massive public interest in preventing a resumption of massive wrong-doing, the Cardozo formulation might properly be treated as having narrow precedential force. But not every case is a *Swift & Co.*, and this one most assuredly is not.

Stripped to its essentials, the situation presented to the district court here was a much simpler one. The court's comprehensive 1973 injunction had recognized the Local Inn's right—acquired by prior use—to continue a concurrent use, restricted in location and to a noninfringing style, of the shared service name, Holiday Inn. The specific style and locality restrictions on the Local Inn's use of its mark were complemented in the decree by a variety of specific prohibitions against continued acts of adjudicated infringement of the Chain's various registered marks. Also included as a specific prohibition was the Local Inn's indicating that any service mark used by it was registered in the Patent Office. The 1973 judgment had found as fact that the Local Inn had been giving such indications and

that this tended to add to the confusion of marks; but this had neither been charged nor was it determined in the litigation to have been a specific act of infringement. It was simply an unauthorized act at the time because the Local Inn then had no registered mark. So far as the record shows, at the time the Local Inn applied in 1979 for modification of the decree it had scrupulously complied for the six years since its entry in 1973 with all its restrictions on the authorized concurrent use of its service mark and with all of the decree's prohibitions, including that against indicating that its mark was registered.[2]

In the interval since the 1973 decree the Local Inn had been awarded the registration of its mark which it had not possessed but was already seeking when the 1973 decree was entered. This award was by a valid judgment of a court with competence to grant it. The judgment had been

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2. In this connection, I do not understand the majority's statement, p. 240, that "the injunction was violated whenever the Local used the symbol ® . . ."; nor its implication, p. 242, that the Local Inn could be expected to repeat its specifically prohibited acts of infringement if it were given the narrow relief that it seeks; nor the basis of its statements, slip op. p. 242, that " . . . [T]he Local's misconduct evinces no hint of cessation or dilution. On the contrary, it has never lessened in its constancy."

I do not find any suggestion in the record that the Local Inn has failed in any way since the injunction was entered in 1973 to obey its specific prohibitions and to observe its specific restrictions on concurrent service mark use, including the prohibition against indicating that its service mark was registered. So far as the record shows, that latter prohibition has been observed as well after registration as before.

Obedience to an injunction is not in itself reason for granting relief from its terms, *see Goldberg v. Ross*, 300 F.2d 151 (1st Cir. 1962), but neither is pre-injunction misconduct that ceases with issuance of the injunction a reason for denying relief. It is also true, as the majority emphasizes, that an injunction cannot be impeached under the guise of seeking modification of its terms. *United States v. Swift & Co.*, 286 U.S. at 119, 52 S.Ct. at 464. But the Local Inn is not here seeking in any way to impeach the injunction in its relation to adjudicated pre-injunction misconduct.

entered following a contested proceeding in which the Chain was an adversary party and in which the district court infringement action was fully taken into account. The registration awarded was expressly conformed in its restrictions to the restrictions on style and locality embodied in the 1973 decree. The judgment awarding it was subject to appellate review.

In this setting, the district court addressed itself essentially to an assessment of the extent to which denial of the relief sought—lifting of the prohibition against indicating service mark registration—would create actual economic or practical harm to the Local Inn, and of the extent to which granting the relief would practically add to any existing confusion of service marks. With the burden properly imposed upon it, the Local Inn sought to demonstrate both that it would suffer practical harm if it were not given relief and that granting the relief would in fact tend to reduce any existing confusion.

On the harm aspect, the Local Inn pointed to certain procedural benefits flowing from registration that would improve its position in respect of infringers. Specifically, a trade mark registrant has the right to invoke federal jurisdiction, 15 U.S.C. § 1121; the benefit of certain evidentiary presumptions in trademark litigation, 15 U.S.C. § 1115; and most importantly, the benefit of constructive notice which deprives infringers of the innocent appropriation defense, 15 U.S.C. § 1072. These, the Local Inn urged, demonstrated a clear economic value incident to use of its registration, hence clear economic harm to it if the injunction against its use were continued. The district court dismissed this contention on the basis that, in view of the extreme unlikelihood that anyone would now risk infringe-

ment of the two Holiday Inn marks in the Town of Myrtle Beach, the potential harm was more theoretical than real.

On the confusion aspect—essentially the question whether the need for continuation of the injunction had been removed—the Local Inn argued that enabling it to use its registration symbol would actually reduce any public confusion resulting from the appearance of both registered and apparently unregistered Holiday Inn marks in the locality. The district court dismissed this as to speculative and ephemeral for acceptance. It concluded instead that the inevitable effect of allowing the Local Inn now to affix an ® to its service mark would be to increase any existing public confusion created by the two marks since by this means they would be made at least that much more similar.

These factual findings as to likely consequences—of practical harm if the relief were denied and of the effect on confusion if it were granted—are not clearly erroneous. For the district court and the majority, they are dispositive as they stand against the Local Inn's request for injunctive relief.

For me they merely reduce the final balancing problem to two simple conflicting considerations that, properly weighed, conclusively demonstrate the inequity of continuing the prohibition. Discounting any significant practical harm from denying the relief or any significant reduction in confusion of service marks from granting it, we are left with the following two considerations. On the one hand there is the fact that granting the relief would increase—by the addition of an ® mark to the Local Inn's authorized, noninfringing service mark—any confusion already existing in the public's mind between the two service marks that had now long been in concurrent use. On the other hand is the fact that the right to use that registration symbol in

conjunction with the Local Inn's service mark is one generally authorized by federal statute and now specifically established by an intervening, unchallenged federal judicial decision.[3]

When one contemplates that since 1973 the noninfringing service marks had been in constant legally authorized concurrent use in the limited area of the Town of Myrtle Beach, it is inconceivable to me that now merely adding to the Local Inn's distinctive block letter service mark the small symbol ® would increase above a de minimus level any already existing public confusion resulting from the six years of legally approved concurrent use. That was the only reason addressed to the continuing need factor that was presented to the district court. Sufficient to overpower that tenuous threat of added confusion is the simple matter of newly acquired legal right, whether or not accompanied by any objective economic or practical value.[4] *Cf. Coca-*

3. Even if the *Swift & Co.* "attenuated to a shadow" language were rigidly applied as a general test for granting relief from injunctions, I would find it met here. Admittedly, it all depends upon how one defines the "danger" whose attenuation is being assessed. That can only be done by looking to the context and evident purposes of the injunction litigation. Here, looking to that source, the danger was that the Local Inn would continue its *unauthorized* use of the ® as an added element of confusion. By the intervening authorization of its use that danger has been not merely attenuated to a shadow but utterly removed.

4. Even if any objective economic value be discounted—a position to which I concede we are bound by the clearly erroneous standard of review—there remains an intrinsic, subjective value in having the public know of the existence of any legal right that has been in public dispute. This is a value that has not, and could not properly, be discounted by the district court in assessing harm. Ultimately at stake was the right publicly to signal by the registration symbol a fact long since established, but not generally signalled, by the injunction decree itself—that the Local Inn's concurrent use of its service mark was legally authorized. In view of the high likelihood—clearly a matter for judicial notice—that public doubt about the legality of the use might continue, the significant intangible (if no other) value of this right is manifest. So, necessarily, is the significance of the harm resulting from its denial.

Cola Co. v. Standard Bottling Co., 138 F.2d 788 (10th Cir. 1943) (injunction against service mark use dissolved in light of intervening decision that adverse party had no exclusive right of use). To deny the relief sought was in effect to nullify this legal right fairly acquired in the interval for no reason but to avoid a highly speculative, obviously minimal, increase in confusion of service marks already long in concurrent use. In my judgment, under the flexible test of harm and continuing need properly applied to the Local Inn's motion, its request for limited relief could not be denied in the exercise of a sound legal discretion. *See System Federation 91 v. Wright*, 364 U.S. 642, 81 S.Ct. 368, 5 L.Ed.2d 349 (1961).

I would reverse and direct a grant of the relief sought.

APPENDIX B

ORDER

UNITED STATES COURT OF APPEALS

FOR THE FOURTH CIRCUIT

No. 79-1761

HOLIDAY INNS, INC.,

Appellee,

versus

HOLIDAY INN,

Appellant,

versus

STRAND DEVELOPMENT CORP.,

Defendant.

Upon consideration of appellant's petition for rehearing, by counsel,

IT IS ORDERED that the petition for rehearing is DENIED.

Entered at the direction of Judge Bryan with the concurrence of Judge Hoffman, United States District Judge. Judge Phillips dissents.

For the Court,

/s/ WILLIAM K. SLATE, II
Clerk

FILED
May 14 1981
WILLIAM K. SLATE, II
Clerk

APPENDIX C

IN THE

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF SOUTH CAROLINA
FLORENCE DIVISION

Civil Action No. 70-811

Entered 10-24-79

HOLIDAY INNS, INC.,

Plaintiff,

vs

HOLIDAY INN,

Defendant,

vs

STRAND DEVELOPMENT CORPORATION,

Additional, as Defendant on the Counterclaim.

ORDER

This matter is again before the Court upon motion of the defendant to be permitted to indicate that its trademark "HOLIDAY INN" printed in block letters (Registration No. 1,061,893) is a Federal Trademark Registration and should be so indicated by the designation ® following the terminal letter "N" in the word "INN".

In this Court's Order of March 14, 1973, 364 F.Supp. 775 (1973) at page 786 the defendant was enjoined as follows:

> Defendant, its officers, agents, servants, employees and attorneys and all those persons in active concert or participation therewith, who receive actual notice hereof, are hereby perpetually enjoined and restrained from:
>
> • • •
>
> (e) Using directly or indirectly any indication that the defendant's name is registered in the United States Patent Office.

This Court's opinion was affirmed on appeal to the Fourth Circuit. See 498 F.2d 1379 (1974).

On August 6, 1970 the defendant attempted to register its word mark "HOLIDAY INN" by filing a trademark application, but this application was refused by the Trademark Trial and Appeal Board. On May 6, 1976 the Court of Customs and Patent Appeals awarded the defendant a restricted registration for use only within the town of Myrtle Beach, South Carolina. The Court of Customs and Patent Appeals was aware of this Court's original opinion and also of its affirmance by the Fourth Circuit at the time of its 1976 Order granting defendant resricted registration.

The defendant Holiday Inn now seeks to be relieved of the provisions of subparagraph (e) of this Court's Order of March 14, 1973. In its opinion CCPA stated:

> We see no reason why, upon the issuance of a registration, Applicant [present defendant Holiday Inn] should not be relieved of that disability [enjoined from using any indication that its mark is registered], if appropriate action is taken.

(534 F.2d at 319, 189 U.S.P.Q. at 635)

The defendant's attorney has indicated that contact with the plaintiff's attorney indicated that the plaintiff would object to any amendment to this Court's March 14, 1973 Order to allow the defendant to use the registration indication in Myrtle Beach. The matter is now before this Court for a decision as to whether the injunction should be modified as requested.

This Court's view of the present motion is best expressed in a letter written to attorneys for both parties raising the question of what useful purpose would be served by amending the prior injunction. This letter stated in part:

> Before making a decision in this matter I would like to to know exactly how the defendant would intend to use the ® in its advertising, letterheads, supplies, etc. If Mr. McIntosh will advise me on this point I will appreciate it very much.
>
> I cannot see how defendant can be damaged by not using ®, since its registration is restricted to the town of Myrtle Beach, and with all the litigation that has occurred, no one is coming into Myrtle Beach and try to use the name Holiday Inn, since they would be sued both by the chain and the local corporation.
>
> While the Court of Customs and Patent Appeals has allowed concurrent use of the name in the Myrtle Beach area, I fail to see what use this can be to the defendant from a practical standpoint. Of course, winning the case is naturally a matter of pride with the defendant, but I fail to see any practical benefits from the victory.

In response to this letter defendant has stated that the injunction against its use of any indication that its name

is registered has caused problems in the ordering of supplies, and asserts that because of its small size it does not print its own stationary, advertising, invoices, etc. and in many cases the contractors put the registration notice beside the mark and these materials are sent back so as not to be in violation of the injunction.

Defendant also asserts that failure to use the registration notice in the future could preclude it from recovering profits and damages in infringement litigation and that use of the trademark registration would be evidence of this defendant's right to the mark. In this connection it asserts that failure to use the mark "may lead the public to believe that defendant is an infringer and, by association, a second rate, low quality establishment." Defendant also claims that use of the registration notice will "ameliorate any confusion".

After careful review of defendant's memorandum and supplemental memorandum in support of its present motion, the Court can see little, if any, practical benefit to be derived by the defendant by use of ® in the restricted area of Myrtle Beach, South Carolina. In the original Order this Court found that most of the confusion in Mrtle Beach was caused by efforts of the defendant Holiday Inn (a South Carolina corporation with one motel at Myrtle Beach) to identify itself with the plaintiff Holiday Inns, Inc. (the national chain). In that Order it was found that the defendant's summer season is always full and it enjoys approximately 80% repeat business, which had not suffered because of the construction and operation of motels in the Myrtle Beach area affiliated with the plaintiff. In the same Order the Court found that defendant had copied the "Great Sign" of the plaintiff, adopted large script letter-

ing substantially identical to that of the plaintiff, and that defendant had used the ® designation in association with its name on towels, parking sticker notices to guests and occasionally in advertising.

The defendant's arguments fail to answer the questions raised by this Court's letter, quoted above.

The defendant is a reasonably large motel and it can convince its suppliers, if it desires to do so, that it is not a part of the national chain, that its name must be written in block letters and not script similar to the national chain and its name should not be followed by the registration notice. There is enough competition in this country among manufacturers of sheets, pillow cases, towels, stationery and other products so that defendant can find suppliers eager to follow defendant's instructions as to the proper lettering and designation to be used on supplies. Defendant contends that under 15 U.S.C. 1111 it must display the registration notice in order to recover profits and damages in a trademark infringement suit, unless the party sued has actual notice of its registration. This again gets back to the observation of the Court in the letter quoted above. It is inconceivable that anyone will move into Myrtle Beach and attempt to use the name Holiday Inn for a motel when there is the defendant's establishment and three of the plaintiff's in the immediate area. Even if such an unlikely event occurred, the defendant would have almost immediate notice thereof and could advise the potential infringer of its registration and thereby preserve its right to recover any profits or damages for infringement.

The Court cannot follow defendant's argument that its reputation as a high class establishment might be damaged if the ® does not appear after its name. The average

person going to Myrtle Beach is not going to look to see if this designation appears in defendant's advertising, and even if there were evidence to show that the public noticed the lack of the ®, there is nothing in the record to indicate that this would result in unfavorable conclusions that the defendant was an infringer or operated a second rate establishment.

The claim that use of the registration notice will "ameliorate confusion" just does not stand up. To ameliorate means to improve or make better, and certainly the addition of ® following the defendant's name in block letters will actually make it look more like the plaintiff's mark and thereby compound rather than ameliorate any confusion.

It is again necessary to look at the genesis of the present problem, which was defendant's effort to trade upon the good will and national reputation of the plaintiff. Having heard the testimony at trial and made the factual findings that were not disturbed on appeal, this Court cannot bring itself to follow the suggestions of CCPA found on page 2, supra.

Since no good reason has been shown as to why this Court should modify the injunctive provisions of its Order of March 14, 1973 and several good reasons have been shown as to why it should not modify, the motion must be, and the same is hereby, denied.

AND IT IS SO ORDERED.

/s/ ROBERT F. CHAPMAN

ROBERT F. CHAPMAN
United States District Judge

October 24, 1979
Columbia, South Carolina

APPENDIX D

UNITED STATES DISTRICT COURT

D. South Carolina, Florence Division

Civ. A. No. 70-811

March 14, 1973

Holiday Inns, Inc.,

Plaintiff,

v.

Holiday Inn,

Defendant.

v.

Strand Development Corporation

Additional, as Defendant on the Counterclaim.

Julius W. McKay, Columbia, S. C., James L. Kurtz, Washington, D.C., Richard A. Zachar, Chicago, Ill., for plaintiff.

D. Laurence McIntosh, Florence, S. C., Roy C. Hopgood, New York City, James P. Stevens, Loris, S. C., Steve Judlowe, New York City, for defendant.

Findings of Fact, Conclusions of Law and Order

Chapman, District Judge.

This action is brought by the plaintiff, Holiday Inns, Inc., a Tennessee corporation, and the largest company in the restaurant and lodging business in the Uinted States, hereinafter referred to as "The Chain". The suit is for

alleged unfair competition and service mark infringement against the defendant Holiday Inn, a South Carolina corporation which operates a motel and restaurant at Myrtle Beach, South Carolina under the name of Holiday Inn. This defendant has counterclaimed alleging infringement and unfair competition under the common law of South Carolina and false representation and designation of origin by plaintiff under 15 U.S.C. § 1125(a), and seeks cancellation of certain of plaintiff's registrations under 15 U.S.C. § 1119.

The defendant Holiday Inn brought in as additional defendants on the counterclaim Fleming Jensen and Strand Development Corporation (hereinafter referred to as Strand), which is a South Carolina corporation and a franchisee of the Chain. Strand operates motel facilities at Myrtle Beach, South Carolina under the name of HOLIDAY LODGE and HOLIDAY DOWNTOWN. Strand also operates a facility under the name of HOLIDAY INN in the town of North Myrtle Beach, South Carolina. Fleming Jensen is an officer of Strand Corporation.

The counterclaim alleged certain antitrust violations by the Chain, Strand and Fleming Jensen. However, just prior to beginning the trial, these antitrust claims were dropped and withdrawn. All claims against Fleming Jensen were also withdrawn.

The plaintiff's basic charges against defendant are:

(a) That defendant intentionally adopted and used a sign designed substantially identical to the registered "great sign" used by the plaintiff.

(b) That defendant adopted and used a mark "YOUR HOST ON THE COAST" and "YOUR HOST WHILE IN MYRTLE BEACH", which are claimed to be substan-

tially identical to the mark registered by the plaintiff: "YOUR HOST FROM COAST TO COAST".

(c) That the usage set forth in items (a) and (b) above are likely to cause confusion, mistake and deception among customers of hotel services in Myrtle Beach, South Carolina area.

(d) That the usages set forth in items (a) and (b) above constitute infringement and acts of unfair competition under the Trademark Act, 15 U.S.C. § 1051 et seq. and the common law of South Carolina.

In reply to defendant's counterclaim the plaintiff raised additional charges of infringement and unfair competition against defendant stemming from defendant's alleged use of signs and other materials which present the name HOLIDAY INN in a script form identical to that used by plaintiff and registered by plaintiff.

The issues raised by defendant Holiday Inn charge the plaintiff and Strand Corporation with trademark and service mark infringement, unfair competition under the South Carolina common law, false representation and false designation of origin under 15 U.S.C. § 1125. These charges are based upon plaintiff and Strand's use of the names and marks HOLIDAY LODGE and HOLIDAY DOWNTOWN in Myrtle Beach, South Carolina, and HOLIDAY INN in North Myrtle Beach. Defendant also seeks to cancel plaintiff's registration Nos. 592,539 and 592,540 because of alleged false statements made in connection with affidavits filed by the Chain pursuant to 15 U.S.C. § 1065.

This matter was heard before the Court without a jury and the Court has given considerable time to reading the voluminous depositions, considering and examining numerous exhibits, listening to argument of counsel, and re-

viewing briefs and memoranda of law submitted. Now in accordance with Rule 52, Federal Rules of Civil Procedure, the Court makes the following

Findings of Fact

1. The plaintiff Holiday Inns, Inc., hereinafter referred to as the "Chain", is a corporation organized and existing under the laws of the State of Tennessee, having its principal place of business in Memphis, Tennessee. It was founded in 1952 and since that time has grown to the point that it is now the largest factor in the restaurant and lodging business in the United States, and also does a considerable volume of business outside the United States. The plaintiff's principal business is providing restaurant and lodging services operating under the name Holiday Inn. These services are provided either through company owned facilities or facilities franchised by the Chain. At present the Chain has a facility in almost every major city in the United States, including 33 in the State of South Carolina. The Chain presently owns or franchises approximately 1,300 facilities in the United States.

2. The Chain's original concept was to establish a network of motels and restaurants spanning the entire country upon which the traveling public could rely in obtaining satisfactory services. The facilities affiliated with the Chain are readily recognizable, with quality controls exercised by the Chain and many similar services available at all facilities, such as free use of baby cribs, no charge for children under 12 when sleeping in the room with the parent, kennels for pets, acceptance of Gulf Oil credit cards, etc.

3. The Chain had developed and prominently displays on each facility a large sign, generally referred to as the "great sign". This sign is one of the major features by which travelers generally identify a motel as belonging to or affiliated with the Chain. This sign is quite large, but in some cities smaller versions are used in order to comply with local zoning restrictions. The sign has a green background with the name HOLIDAY INN in large distinctive script lettering, a large star at the top and smaller stars by the name HOLIDAY INN, a large orange arrow starting at the bottom of the sign and running in a sort of semi circle with the point indicating the location of the facility. There is always an attraction panel near the bottom of the sign.

4. In addition to the "great sign" most of the Chain facilities prominently display the words HOLIDAY INN in very large lettering in the distinctive script form directly on the side or face of the building.

5. In the promotion of its services the plaintiff also uses certain slogans, one of which is "YOUR HOST FROM COAST TO COAST". The United States Patent Office has registered applicable service marks of the plaintiff as follows:

Mark	*Registration Number*	*Publication Date*	*Issue Date*
Holiday Inn	592,539	4/20/54	7/13/54
Holiday Inn	592,540	4/20/54	[7]4/13/54
Holiday Inn (Great Sign)	592,541	4/20/54	[7]4/13/54
Holiday Inn (Great Sign)	708,521		12/13/60
YOUR HOST FROM COAST TO COAST	740,362	8/21/62	

6. Each of the above registrations was lawfully issued, is valid and currently subsisting. The requisite affidavits having been filed and accepted, these registrations have been accorded an incontestable status pursuant to 15 U.S.C. § 1065.

7. The above registered service marks of plaintiff are well known to the American traveling public. They have been extensively used and advertised in promoting plaintiff's services and the services of its franchisees. Numerous advertisements have appeared in magazines, newspapers, on radio and television and billboards, as well as a house magazine and a directory of member facalities of which more than ten million are printed and distributed each year. To indicate that its service marks are registered, the plaintiff has consistently used the R or "Reg. U.S. Pat. Office" designations in association with its marks.

8. The defendant Holiday Inn was incorporated in 1960. Prior to that time the business had been operated as a partnership or a proprietorship by Mr. and Mrs. George Hendrix. Mr. Hendrix died in 1959 and the following year Mrs. Hendrix incorporated the business and is the major stockholder of the corporation. In 1966 she married William A. Smith, who since 1966 has held the office of vice-president and general manager of the motel known as Holiday Inn located at 1200 North Ocean Boulevard in Myrtle Beach, South Carolina.

9. When Mr. and Mrs. Hendrix began business in 1948 their resort consisted of an eight unit frame structure operating under the name Ocean Front Lodge. This facility was expanded to 20 units in 1949 and the name was changed to Holiday Inn having been derived from the pop-

ular movie "White Christmas". This name was presented in block letters until defendant's facility was expanded by the addition of approximately 15 units, which construction was completed in August 1955. At this time a new sign was erected and comprised the words HOLIDAY INN and applied directly to the newly constructed building. The lettering on this sign was in script form substantially identical to the distinctive script which plaintiff had adopted in 1952 and registered in 1954.

10. The defendant's facility grew over the years to its present 87 units.

11. In the beginning of defendant's business it did very little advertising. It operated a small facility offering rooms and apartments on a European plan without a restaurant. As the additions were made to defendant's facility it began to advertise on two or three billboards in the Myrtle Beach area using the script lettering of Holiday Inn. It also advertised on a limited scale in newspapers in South Carolina, North Carolina and occasionally in other states and certain parts of Canada. Many Canadians vacation at Myrtle Beach in the spring.

12. The plaintiff first learned of defendant's facility in 1956 when a franchisee of plaintiff, who was constructing a motel facility in Myrtle Beach received a letter from defendant's lawyer objecting to the proposed usage of HOLIDAY INN within the Myrtle Beach area. Plaintiff's franchisee obtained permission from plaintiff to operate the facility within the plaintiff's system under the name HOLIDAY LODGE. This facility has been operated continuously since 1956 as a typical member of the plaintiff's

system and has been advertising as such. A great sign was erected in front of the facility presenting the words HOLIDAY LODGE in large script lettering above the words HOLIDAY INNS OF AMERICA SYSTEM. In all other respects the great sign was the same as used by the Chain throughout the system. Holiday Lodge is now operated by Strand and still uses the name Holiday Lodge and has been identified as such from its inception in 1956. Defendant has known of this facility since prior to its opening.

13. In 1956 a complaint was filed by Mrs. Smith (then Mrs. Hendrix) and her late husband in the Court of Common Pleas for Horry County seeking to restrain plaintiff's franchisee from using the name Holiday Inn, Holiday Lodge or anything including the name Holiday in the Myrtle Beach area. This complaint was not answered and the action never pursued. It was eventually stricken from the court's records for lack of prosecution. This removal from the court docket did not occur until 1969, but no action was taken after the original filing of the complaint.

14. In recent years the defendant has placed stars near the words Holiday Inn in script and on one occasion has used a slogan "YOUR HOST ON THE COAST" on postcards distributed to its guests and prospective customers and has also used the slogan "YOUR HOST WHILE IN MYRTLE BEACH" on highway signs which present the words Holiday Inn in plaintiff's script form. The defendant has also used towels, parking lot identification stickers and notices to guests which have the words Holiday Inn ®.

15. In 1968 the defendant's general manager ordered a sign constructed and placed in its parking lot immediately across the street from its facility. He requested the sign

maker to design a sign which would resemble, but not exactly duplicate, the plaintiff's "great sign" and delivered to the sign maker one of plaintiff's brochures to use as a guide. This sign is so similar to the "great sign" of plaintiff that Mr. Smith in his testimony could not explain any differences without being furnished with photographs of each sign. When comparing the two photographs the Court can distinguish one from the other, but the signs are so similar that the traveling public would be easily confused and upon seeing defendant's sign would conclude that it was a franchisee of plaintiff or affiliated with it. The colors of the two signs are almost identical. The use of stars, the big arrow, the attraction panel and the script of Holiday Inn are so similar that the Court can only conclude that defendant erected this sign with the intent and purpose of infringing the rights of the plaintiff and unfairly competing with it.

16. Mr. Smith testified that he showed the plans of the sign to his attorney before it was constructed and that it received the attorney's approval. This attorney is now deceased and the Court can only conclude that he did not receive all of the facts in the matter or else he was not overly familiar with trademark law. Regardless of the advice given by the attorney, such an obvious act of infringement by the defendant could not be justified or excused by a statement that it was made upon advice of counsel.

17. In 1969 Strand began construction of a motel facility franchised by the Chain in Myrtle Beach and another in North Myrtle Beach, which is a separate community located approximately 15 miles north of Myrtle Beach, South Carolina. The facility in Myrtle Beach is now open and

operates under the name of HOLIDAY DOWNTOWN and the facility in North Myrtle Beach under the name HOLIDAY INN NORTH MYRTLE BEACH. The "great sign" was erected on the premises of both of these facilities and the facility in Myrtle Beach does not use the word "Inn" but instead used the words HOLIDAY DOWNTOWN in large script on the "great sign". These facilities have been in operation since 1970 and make use of numerous items inside the premises such as towels, brochures, wastebaskets, stationery, shoeshine cloths, bags, etc. which have imprinted thereon the various marks of plaintiff, including HOLIDAY INN ®.

18. Within the city limits of Myrtle Beach only defendant's resort facility is advertised by means of road signs and billboards under the name Holiday Inn. In the telephone directory, the various Strand facilities are listed by their respective names and are indented under the name Holiday Inns of America. The defendant facility is listed under the name Holiday Inn.

19. The plaintiff maintains a nation-wide registration system known as Holidex, which is connected with a computer and a significant portion of the reservations at the Strand facilities are made through this system. Other reservations are made by direct telephone contact with the individual motel and other travelers know of the existence of the Strand facilities through plaintiff's directory.

20. Since the two new Strand facilities began operations the defendant has experienced no significant loss of business. During the summer season it is always full and enjoys approximately 80% repeat business. In the off season a substantial portion of its business is also repeat.

21. There was no evidence that advertising by radio, television, national directory, national magazines and billboards on the part of the plaintiff or Strand had caused any customer confusion between the facilities of Strand and defendant.

22. There was no evidence that usage on the inside of Strand facilities of materials bearing the marks of plaintiff had caused customer confusion between the facilities of Strand and the defendant, and there was no evidence that usage of the "great sign" by Strand facilities has caused customer confusion.

23. Confusion has developed as a result of the similarity of names and there have been mix-ups in bills, letters, reservations, deliveries, etc. Some of this confusion was natural in view of the similarity of names, but the considerable part of it can be charged to the defendant's erection of a sign quite similar to the plaintiff's "great sign".

24. It is clear from the evidence that Strand made every effort to indicate that its facilities were a part of plaintiff's system and there was no evidence to show that the plaintiff or Strand ever attempted to indicate any connection between them and the defendant.

25. In the immediate Myrtle Beach area there are six other lodging facilities using the name Holiday in addition to Holiday Lodge, Holiday Downtown and Holiday Inn. None of these are connected with the plaintiff except the Strand facilities. It is not uncommon for a town much smaller than Myrtle Beach in season to have more than one Holiday Inn facility. The town of Florence, South Car-

olina, at the time this action was commenced had three Holiday Inns and it is much smaller than Myrtle Beach in the summer season. Some confusion may result in the future because of the similarity of names in the Myrtle Beach area, but this can be kept to a minimum if the defendant will discontinue its efforts to identify itself in the public eye with the plaintiff.

26. The defendant contends that it has exclusive use to the name Holiday Inn in the Myrtle Beach area which it states includes approximately 75 miles of beach running from Georgetown, South Carolina north to the Little River. Although Myrtle Beach is the largest city along this "Grand Strand", defendant has introduced no evidence to establish that the words "Holiday Inn" have been associated with its services by any segment of the general public outside the city of Myrtle Beach. North Myrtle Beach is an independent city having it own government, businesses, recreation areas, golf clubs and large expanse of beach. It is separated from Myrtle Beach by a span of unincorporated areas and the motels in Myrtle Beach do not compete directly with those in North Myrtle Beach. While the Court finds that there has been some confusion on the part of travelers in Myrtle Beach, such confusion has not been fostered, intentionally or otherwise by the plaintiff or Strand. In the past confusion has been deliberately and systematically nurtured by the defendant in an effort to profit from the national recognition and good will of the plaintiff. In addition to constructing a sign similar to the "great sign" and adopting large script lettering substantially identical to that of the plaintiff, the defendant has used the ® designation in association with its name on

towels, parking stickers, notices to guests and occasionally in advertisements. Defendant contends that due to the tremendous size of the plaintiff and the name of the defendant many suppliers ship supplies to defendant in response to it orders which have the ® designation thereon, since such suppliers assume that the defendant is affiliated with the Chain. Defendant also contends that it has previously received towels from the local laundry belonging to one of the Strand facilities and containing the ® designation, but that these are infrequent occasions and rarely used by defendant. The Court finds this position of the defendant in conflict with the testimony of plaintiff reply witness Wyatt Thompson, sales manager of a Myrtle Beach radio station, who registered at defendant's facility several days before this case was tried and made photographs of items in his room containing the ® designation. These items included two towels, a sign to guests on the mirror and a parking lot sticker. Although Mr. Smith testified that he had never ordered any supplies with the ®, he had not returned such items to the supplier when received with such designation. The Court cannot accept Mr. Smith's explanation that Mr. Thompson by chance was assigned to the only room of the 85 operated by the defendant where items containing the ® were in use.

27. As previously stated the Strand facilities in Myrtle Beach and North Myrtle Beach use many items inside the facilities containing the name Holiday Inn. These include blankets, sheets, pillowcases, towels, washcloths, wastebaskets, ashtrays, fly swatters, disposable bags, stationeries, etc. Travelers staying at the Strand facilities know that they are dealing with affiliates or franchisees of the

Chain, and the use of these various articles inside the facilities do not in any way confuse the traveling public or damage the defendant.

28. The defendant has counterclaimed to cancel plaintiff's registration Nos. 592,539; 592,540 and 592,541, all issued July 13, 1954. These registrations present the words Holiday Inn in script form. The defendant has recently sought to obtain federal registration of its name Holiday Inn and alleges that the plaintiff filed affidavits with the Patent Office which were fraudulent in obtaining incontestable statue of the above registrations. Defendant alleges that there was litigation pending in Horry County, South Carolina regarding the use of the name Holiday Inn at the time plaintiff filed its affidavits pursuant to 15 U.S.C. § 1065 of the Lanham Act for the purpose of gaining the incontestable status for the various Holiday Inn registrations. It is the defendant's position that because of the 1956 law suit brought by Mr. and Mrs. George Hendrix against the plaintiff's then Myrtle Beach franchisee, which action was still pending in 1960 when plaintiff filed its affidavits, that such incontestable status was improperly and fraudently obtained.

Title 15 U.S.C. § 1065 provides, subject to certain exceptions, that the right of a registrant to use its registered mark in commerce for goods or services on or in connection with such registered mark has been in continous use for five consecutive years subsequent to the date of such registration, shall be incontestable upon filing an affidavit with the Commissioner of Patents, stating:

> "(1) There has been no final decision adverse to the registrant's claim of ownership of such mark for such

goods or services or to registrant's right to register the same or to keep the same on the register; and (2) there is no proceeding involving said rights pending in the Patent Office or in a court and not finally disposed of . . .".

The suit in Horry County did not involve the "registrant" and only involved the right of plaintiff's franchisee to use the name Holiday Inn in the Myrtle Beach area. It did not involve plaintiff's right to register its marks or plaintiff's right to maintain the same on the register. This suit had never been defended or pursued by the parties and in 1960 was subject to being stricken from the docket for lack of prosecution under the court rules, although this action was not taken for a number of years thereafter. No evidence was presented by the defendant amounting to any fraud on behalf of the plaintiff in filing the affidavits in connection with the incontestable status and plaintiff's registration Nos. 592,539; 592,540 and 592,541 are properly entitled to the incontestable status.

29. The Court finds that there is no confusion between the name, the facilities and services offered by defendant and by Strand's "HOLIDAY INN TRAV-L-PARK" trailer camp facility. Defendant offers motel and restaurant facilities, while the trailer park caters to the traveling public transporting its own sleeping facilities.

30. The sign constructed by the defendant similar to the "great sign" has now been taken down and the use of the slogan "YOUR HOST ON THE COAST" has not been used by defendant for a number of years.

31. Prior to the taking of testimony in this action all parties advised the Court that they were waiving monetary damages upon their various claims.

Conclusions of Law

1. This Court has jurisdiction over the parties and the subject matter of this civil action, and venue is properly laid in this district, pursuant to Title 28 U.S.C. § 1338, 15 U.S.C. § 1121 and 28 U.S.C. § 1391(c).

2. Upon review of the evidence the Court is compelled to conclude that the defendant's course of conduct proves it guilty of both unfair competition and service mark infringement against the plaintiff. The elements of these actions are set forth in John Walker & Son, Ltd. v. Bethea, 305 F.Supp. 1302, 1309 (D.S.C.C. 1969):

> "The elements of both actions are decidedly similar and the courts often lump them together and discuss them as one cause of action. However, there is a distinction between the two forms of action. It is often said that the law of trademark infringement is part of and included in the broader law of unfair competition. However, the law of trademarks is governed by federal statutes, while the related law of unfair competition is of common law origins. See Brooks Bros. v. Brooks Clothing of California, Ltd., 60 F.Supp. 442 (S.D.Cal. 1945); Scriven v. North, 134 F. 366 (4th Cir. 1904); Stork Restaurant v. Sahati, 166 F.2d 348 (9th Cir.1948).
>
> It is clear that the action for unfair competition does embrace the law of trademark infringement and extend beyond it. Trademark infringement is a statutory action provided for under the Lanham Act (or Trade-

mark Act, 15 U.S.C. § 1051 et seq.), while unfair competition is a somewhat more comprehensive field, developed under the common law. Being an equitable action developed by case law the court has a great deal more flexibility and may consider a wider number of factors in an unfair competition controversy. Possible confusion in the minds of the buying public is at the core of the law of trademark infringement. Likewise the hallmark of that portion of the law of unfair competition which deals with trademarks is possible confusion as to the source of goods. (Same citations as above). Additionally, factors bearing on unjust enrichment are frequently considered by the courts in unfair competition controversies."

3. The test for trademark infringement, set forth in 15 U.S.C. § 1114(1), is whether the use of the accused copy or colorable imitation of the registered mark is "likely to cause confusion, or to cause mistake,or to deceive." The test is to be applied with regard to the effect of the marks on an ordinary purchaser having an indefinite recollection of the mark to which he has been exposed on a previous occasion. Standard Oil Co. (Kentucky) v. Humble Oil & Refining Co., 363 F.2d 945 (5th Cir.1966); Dwight S. Williams Co., Inc. v. Lykens Hosiery Mills, Inc., 233 F.2d 398 (4th Cir.1956). A side-by-side analysis of the marks is not the proper test. Sterling Drug, Inc. v. Lincoln Laboratories, Inc., 322 F.2d 968 (7th Cir. 1963).

As found above, the sign erected by the defendant in 1968 is substantially identical to the plaintiff's "great sign" and although differences are obvious when pictures of the two signs are compared side by side, the effect of the defendant's sign was obvious and was likely to cause confusion, mistake or to deceive the public. Not even the gen-

eral manager of the defendant could explain differences in the two signs without having pictures of them before him.

4. The script form in which defendant presents its name Holiday Inn is substantially identical to the distinctive script used by plaintiff and shown in its various registrations for Holiday Inn. Although there may be slight differences in the location of the stars, the overall effect is such as is likely to cause confusion, mistake and to deceive the public.

5. Defendant's slogan, "YOUR HOST ON THE COAST" and "YOUR HOST WHILE AT MYRTLE BEACH" differ from the plaintiff's slogan, "YOUR HOST FROM COAST TO COAST", and if these slogans alone were the basis of the plaintiff's complaint, this Court would not find them to be an infringement. However, when considered with the other acts of the defendant, beginning with the adoption of the script in 1956 and progressively continuing through the erection of the substantially identical sign in 1968, the Court must conclude that the use of these slogans by the defendant was an effort to trade upon the good will of the plaintiff and represent an infringement of its protected mark, "YOUR HOST FROM COAST TO COAST".

6. Although intent is not a necessary element of trademark infringement, there can be no question of defendant's intent to infringe upon the plaintiff's marks. The defendant's president admitted that defendant did not begin to use the distinctive script in writing its name until after she knew of the plaintiff and after the record shows that the plaintiff had registered this script. The Court

cannot believe that the defendant accidentally or innocently chanced upon the same style script as that used by the plaintiff or that it adopted its slogan without hoping to benefit from the recognition factor already developed by the plaintiff in a similar slogan. The burden of a proper explanation of defendant's action is on the defendant and no suitable explanation was given at the trial. The defendant's contention that the imitation of the plaintiff's "great sign" was intended only as a directional sign and was located across the street from the defendant's motel and restaurant carries no weight and represents no excuse or explanation. The defendant's actions speak so loudly that the Court must strain to hear the feeble explanations.

7. The plaintiff's marks are famous throughout the United States and are becoming well known in many other countries. Great effort and expenditure of funds by the plaintiff have not only built up its successful business but have created in the mind of the public strong recognition of its name and service marks. The script, the name, the "great sign" and the slogans of plaintiff have individually and in combination acquired a strong secondary meaning and suggests the plaintiff's services to the general public. These property rights of the plaintiff are entitled to broad protection. Tampa Cigar Company, Inc. v. John Walker & Sons Ltd., 222 F.2d 460 (5th Cir. 1955).

8. The infringements of the defendant have been willful and deliberate and represent unfair competition and an effort on the part of the defendant to identify with and trade upon the plaintiff's good will.

9. The defendant contends that the plaintiff has known of defendant's use of the script since it was first used by defendant more than 15 years ago, and that the plaintiff through its delay in moving to protect the script style of its name is barred from asserting an infringement. Under different circumstances the Court might follow defendant's argument on this point, but the infringing by the defendant upon the plaintiff began with the use of the script and increased and expanded over the years until the erection of its sign in 1968, which apparently brought about this law suit. The elements of estoppel are not present in this case and simple laches or delays is not a sufficient defense. Rothman et al. v. Greyhound Corp., 175 F.2d 893 (4th Cir. 1949). See also Menendez v. Holt, 128 U.S. 514, 9 S.Ct. 143, 32 L.Ed. 526 (1888).

> "The intentional use of another's trademark is a fraud; and when the excuse is that the owner permitted such use, that excuse is disposed of by affirmative action to put a stop to it. Persistence, then, in the use is not innocent; and the wrong is a continuing one, demanding restraint by judicial interposition when properly invoked. . . . Where consent by the owner to the use of his trademark by another is to be inferred from his knowledge and silence merely, 'it lasts no longer than the silence from which it springs; it is, in reality, no more than a revocable license'. Duer, J. Amoskeag Mfg. Co. v. Spear, 2 Sandf. (N.Y. 599 . . .)."

The Fourth Circuit applied this rule in Rothman v. Greyhound Corp., supra, where the infringer had expanded its business over the years although the plaintiff knew of the infringing use and expansion:

> ". . . We agree with the conclusion of the District Judge that under the circumstances the plaintiff, which seeks

no recovery for past infringement, did not forfeit the right to prohibit the continued misappropriation of its property in the future. It is settled that the mere delay in seeking relief is no bar to an injunction when the infringer has had knowledge of the fact that he is infringing and has deliberately set out to capitalize on the good will of the owner. . . . Indeed it has been held that mere delay will not forfeit the right to injunction whether the infringer had been innocent or fraudulent, for the misuse of the owner's property is the same in either case and the infringer must show good reason why he should not be stopped."

10. The defendant has asserted and this Court finds that it is the prior user of the name Holiday Inn in Myrtle Beach, South Carolina. This fact does not excuse the defendant from its course of conduct in infringing upon the plaintiff's trademarks. The acts of infringement and unfair competition by the defendant constitute unclean hands which cause a court of equity to hesitate in rushing to its relief from alleged acts of infringement and unfair competition on the part of the plaintiff and/or Strand. The defendant is entitled to continue the use of the name Holiday Inn within the city limits of Myrtle Beach, South Carolina, but this Court will not prevent the plaintiff and/or Strand from operating its facilities now known as Holiday Lodge and Holiday Downtown in Myrtle Beach or Holiday Inn North Myrtle Beach or Holiday Inn Trav-L-Park under the names they are presently using, and it will not prevent Strand from continuing to use the normal articles of personal property, such as: sheets, towels, pillowcases, blankets, etc. bearing the name Holiday Inn, since these articles, which are used inside facilities and not

seen by the traveling public, prior to deciding to register at such facilities, do not add to the existing confusion.

11. In the present case, the plaintiff's wrong, if any, is delay, while the defendant's wrong is intentional deception and use of plaintiff's marks to the detriment of the plaintiff and the confusion of the public. The Court has the responsibility of protecting the public from such confusion, mistake or deception. Stahly, Inc. v. M. H. Jacobs Co., 183 F.2d 914 (7th Cir. 1950); Esso, Inc. v. Standard Oil Co., 98 F.2d 1 (8th Cir. 1938).

In Manhattan Medicine Co. v. Wood et al., 108 U.S. 218 2 S.Ct. 436, 27 L.Ed. 706 (1883) Supreme Court stated:

> ". . . A court of equity will extend no aid to sustain a claim to a trademark of an article which is put forth with a misrepresentation to the public as to the manufacturer of the article, and as to the place where it is manufactured, both of which particulars were originally circumstances to guide the purchaser of the medicine." At page 227, 2 S. Ct. at page 442:
>
> "Those who come into court of equity, seeking equity, must come with pure hands and a pure conscience. If they claim relief against the frauds of others, they must themselves be free from the imputation. If the sales made by the plaintiff and his firm are affected, or sought to be, by misrepresentation and falsehood, they cannot be listened to when they complain that by the fraudulent rivalry of others, their own fraudulent profits are diminished. An exclusive privilege for deceiving the public is assuredly not one that a court of equity can be required to aid or sanction. To do so would be to forfeit its name and character."

The same rule is stated at Section 749 of the Restatement of Torts:

> "One who in his trademark or trade name or in his marketing methods habitually makes misrepresentations about himself or his goods, services or business on matters of substantial importance to prospective purchases is barred, wholly or partially, from relief against another who would otherwise be liable to him under the rules stated in §§ 711-743 for trade practices relating to such goods, services or business.
>
> Comment:
>
> a. Rationale. One is not entitled to legal protection in the operation of a scheme to deceive prospective purchasers. The rule is based on the demerit of the plaintiff's conduct rather than on the merit of the defendant's conduct. Frequently the conduct of both is equally unmeritorious. It is then deemed wiser to leave the parties to their competitive struggle rather than to interfere for the purpose of enabling one to continue his deceitful conduct without the disadvantage of deceitful competition from the other. Denial of relief to one who seeks to deceive prospective purchasers may be a powerful deterrent to such deceit."

12. While the Court might be justified in leaving the parties to their competitive struggle in the town of Myrtle Beach with each using the name Holiday Inn, the rights of the traveling public require the Court to resist the temptation and alleviate some of the confusion by requiring the Strand facilities to continue operating under their present names and allowing the defendant to continue using its name, but restraining it from using the distinctive script writing of Holiday Inn on the outside of its building or on

billboard's or other advertising. The defendant's rights to use the name Holiday Inn are limited to such rights established prior to the date of publication of plaintiff's registered mark, namely August 20, 1954. The defendant made no showing that its name had obtained secondary meaning outside the City of Myrtle Beach prior to August 20, 1954. Burger King of Florida, Inc v. Hoots, 403 F.2d 904, 908 (7th Cir. 1968) stated:

> ". . . Congress intended the Lanham Act to afford nation-wide protection to federally registered marks, and that once the certificate has issued, no person can acquire any additional rights superior to those obtained by the federal registrant."

13 The defendant charged the plaintiff with false representations and false designation as to the origin by plaintiff of its services. In order to prevail defendant must show that a statement in the form of words or symbols is used in connection with plaintiff's services to indicate falsely that the services originate with the defendant. See Bernard Food Industries, Inc. v. The Dietene Co., 415 F.2d 1279 (7th Cir. 1969). Defendant has failed to show any such acts by plaintiff.

Plaintiff has not violated 15 U.S.C. 1125(a) because it has not made any statements either in advertising or in discussion with potential customers that the plaintiff is licensed by defendant, owned by defendant, has any connection with the defendant and no reference has been made to the defendant in any way. The statements by the plaintiff's facilities in Myrtle Beach, which indicate their association with the Chain, are in avoidance of the prohibition of 15 U.S.C. 1125(a).

14. Just prior to the trial the defendant withdrew its antitrust claims with prejudice. At that time the plaintiff and Strand moved for attorney's fees and costs reasonably connected with defending these claims, contending that such antitrust claims were without merit and were asserted solely for the purpose of harassment. Although defendant developed little evidence to support the antitrust charges in its counterclaims, this Court cannot find that they were wholly without merit and therefore this motion by the plaintiff and Strand is denied.

15. Following the conclusion of the trial the defendant moved to submit additional testimony and supplement the record in response to certain testimony given by Wyatt Thompson regarding towels and other articles found in defendant's facility with Holiday Inn ® designation on them. The Court necessarily had to read the affidavits and view the photographs submitted in order to rule upon this motion. Since this case was tried without a jury, the Court has considered the supplements to the record, but has given them little weight.

NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED:

1. The defendants, its officers, agents, servants, employees and attorneys and all those persons in active concert or participation therewith, who receive actual notice hereof, are hereby perpetually enjoined and restrained from:

(a) Using either directly or indirectly a script identical to or any colorable imitation of plaintiff's script Holiday Inn on the outside of its building, on any billboards or on any advertising material.

(b) Using directly or indirectly its version of plaintiff's "great sign" or any colorable limitation thereof.

(c) Using directly or indirectly the slogan "YOUR HOST WHILE AT MYRTLE BEACH" or "YOUR HOST ON THE COAST" or any colorable imiation thereof.

(d) Using directly or indirectly any sign, script, slogan or star design, color combination or other indicia of plaintiff that suggests or tends to suggest a connection with the plaintiff.

(e) Using directly or indirectly any indication that the defendant name is registered in the United States Patent Office.

(f) Directly or indirectly infringing United States Patent Office registered numbers 592,535; 592,540; 592,541; 708,521 and 740,362.

(g) Directly or indirectly committing any act divesting or attempting to divest the plaintiff of the good will it has in its registered marks or any act which encroaches upon the good will that the plaintiff has acquired in its registered marks.

2. The defendant shall have ninety (90) days from the date of this order to comply with this injunction as set forth above and defendant's attorney within such time shall submit to the Court evidence of compliance.

3. Since plaintiff's registrations were properly filed and issued and the plaintiff has filed the required affidavit under 15 U.S.C. § 1065, defendant's third counterclaim seeking to cancel plaintiff's registration Nos. 592,539; 592,540 and 592,541 is dismissed.

4. The defendant has the right to continue using the name Holiday Inn within the town of Myrtle Beach, South Carolina, and in order to protect the public from unnecessary confusion the Court finds that the defendant Strand must continue to operate its Myrtle Beach, South Carolina facilities under the name of Holiday Lodge and Holiday Downtown, however, it may continue to operate its North Myrtle Beach, South Carolina facility under the name of Holiday Inn and plaintiff may continue to operate Holiday Inn Trav-L-Park under its existing name. Strand may continue to use Holiday Inn and Holiday Inn ® on towels, sheets, blankets, etc. and other items used inside the Myrtle Beach, South Carolina facilities.

5. The defendant's counterclaim No. 3 for infringement and unfair competition under the common law of South Carolina and for false representation and false designation of origin under 15 U.S.C. § 1125 is dismissed.

6. Plaintiff's motion for attorney's fees and costs because of defendant's dismissal of its antitrust claims, allegedly brought without merit, is dismissed.

7. Each party shall bear its attorney's fees and plaintiff is awarded the cost of this action.

And it is so ordered.

APPENDIX E

COURT OF APPEALS

FOURTH CIRCUIT

No. 73-1589

HOLIDAY INNS, INC., *et al.*

v.

HOLIDAY INN

Decided June 7, 1974

Appeal from District Court for District of South Carolina, Chapman, J.; 177 USPQ 640.

Action by Holiday Inns, Inc., against Holiday Inn for unfair competition and service mark infringement in which defendant counterclaims against plaintiff and Strand Development Corporation for unfair competition and trademark infringement. From judgment for plaintiff and Strand Development Corporation on the counterclaim, defendant appeals. Affirmed.

Stephen B. Judlowe, New York, N.Y. (D. Laurence McIntosh and Wright, Scott, Blackwell & Powers, both of Florence, S. C., and Roy C. Hopgood and Sandoe, Hopgood & Calimafde, both of New York, N. Y., on the brief) for appellant.

James L. Kurtz, Washington, D. C. (Richard A. Zacher, Chicago, Ill., Julius W. McKay, Columbia, S. C., and James P. Stevens, Loris, S. C., on the brief) for appellees.

Before Bryan, Senior Circuit Judge, and Butzner and Widener, Circuit Judges.

Per Curiam.

This action was originated by Holiday Inns of America, a national chain of motels, hereinafter the Chain, against Holiday Inn (not an affiliate) located in the city of Myrtle Beach, South Carolina. The suit's aim was to interdict the defendant from exploiting various Chain symbols. This quarrel, however, was mooted by Holiday Inn's agreement to discontinue the expropriation, but the litigation continued on the defendant's counterclaim.

Therein Holiday Inn asserted that it had paramount rights in this name as the acknowledged prior and long-time user thereof throughout the 75-mile ocean front known as the Grand Strand area, embracing the city of Myrtle Beach. On this premise Holiday Inn counterclaimed against the Chain for trademark infringement and unfair competition because of the latter's operation of two motels in the city of Myrtle Beach and one in the city of North Myrtle Beach, 15 miles away, all situated in the Grand Strand. Each of them adopted the name "Holiday" in one form or another. This appeal is from the denial by the District Court of the counterdemand.

Upon consideration of the record and arguments of counsel, on brief and orally, we affirm upon the District Court's findings of fact, conclusions of law and opinion.

APPENDIX F

Patent and Trademark Office Trademark
Trial and Appeal Board

HOLIDAY INN

v.

HOLIDAY INNS, INC.

Decided June 9, 1975

Released Aug. 9, 1975

Concurrent use proceeding No. 350 between Holiday Inn and Holiday Inns, Inc. Application denied.

See also 177 USPQ 640, 182 USPQ 129.

Sandoe, Hopgood & Calimafde, New York, N.Y., for Holiday Inn.

James L. Kurtz, Washington, D. C., for Holiday Inns, Inc.

Before Lefkowitz and Bogorad, Members, and Rice, Acting Member.

Rice, Acting Member.

An application has been filed by Holiday Inn for a concurrent use registration of the mark "HOLIDAY INN" for motel services, namely, providing lodgings, refresh-

ments and meals in a motel, use since 1949 being alleged. Rights in the mark sought to be registered are claimed for the area comprising Myrtle Beach, South Carolina.

As an exception to its right to exclusive use, applicant states that it believes that Holiday Inns, Inc. has been rendering similar services under the mark "HOLIDAY INN" in the area comprising all of the United States except Myrtle Beach, South Carolina since 1952, and that said party is the owner of unrestricted Registrations Nos. 592,539, 592,540, and 592,541, all for the mark "HOLIDAY INN" or "HOLIDAY INN" and design for motel services, namely, providing lodgings and meals in motels.

A concurrent use proceeding was instituted, and proceedings were suspended pending the final determination of a civil action in which the parties were involved in the United States District Court for the District of South Carolina, Florence Division.

This case now comes up on applicant's request that it be granted the concurrent registration sought herein in view of the decision which was handed down by the District Court on March 14, 1973, and affirmed by the Fourth Circuit Court of Appeals on June 7, 1974.

An examination of the decision of the District Court reveals that applicant, having been found to be the prior user, was adjudged by the Court to have the right to continue using the mark "HOLIDAY INN" in the town of Myrtle Beach, South Carolina; that in order to protect the public from unnecessary confusion, the Court found that registrant's licensee Strand must continue to operate its Myrtle Beach, South Carolina facilities under the names "HOLIDAY LODGE" and "HOLIDAY DOWNTOWN"; but that the Court permitted Strand to continue to operate

its North Myrtle Beach, South Carolina facility under the mark "HOLIDAY INN" and to use said mark on towels, sheets, blankets, and other items used inside its Myrtle Beach, South Carolina facilities.

Section 3 of the Act of 1946 provides for the registration of service marks "used in commerce." In regard thereto, it has been held that it is not essential that a service mark be used in connection with services in more than one state in order to satisfy the "use in commerce" requirement of Section 3, it being sufficient for the purpose if the service is one which affects interstate commerce. Thus marks used in connection with motel, restaurant, and gasoline service station services rendered in a single state have in appropriate circumstances been held to be qualified for registration under Section 3. See: In re Gastown, Inc., 140 USPQ 216 (CCPA, 1964); In re Smith Oil Corporation, 156 USPQ 62 (TT&A Bd., 1967); In re Ponderosa Motor Inns, Inc., 156 USPQ 474 (TT&A Bd., 1968); Mariniello, trading as J & B Shell Stations, Inc. v. Shell Oil Company, 180 USPQ 635 (DC NJ, 1974); and Airport Canteen Services, Inc., et al. v. Farmer's Daughter, Inc., 184 USPQ 622 (TT&A Bd., 1974).

However, Section 2(d) of the Act permits the issuance of concurrent registrations only when confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used. See: In re Beatrice Foods Co., 166 USPQ 431 (CCPA, 1970).

In the instant case, it is noted that registrant has a number of motels bearing the mark "HOLIDAY INN" lo-

cated in close proximity to Myrtle Beach, South Carolina, including one motel in North Myrtle Beach, South Carolina. Under such circumstances, it is adjudged that to the extent that applicant's motel and restaurant services rendered under the mark "HOLIDAY INN" affect interstate commerce, and thus qualify such mark for registration under Section 3, the inevitable result is and will be one of confusion with registrant's similar mark.

In view thereof, and in accordance with Section 2(d) of the Act, the concurrent registration sought by applicant herein is refused.

But however that may be, registrant's involved territorially unrestricted registrations, which under Section 7(b) constitute prima facie evidence of registrant's exclusive right to use the mark "HOLIDAY INN" in commerce in connection with motel services throughout the entire United States, are inconsistent with applicant's superior right to use the mark "HOLIDAY INN" to identify its lodging and restaurant services in Myrtle Beach, South Carolina.

Accordingly, it is adjudged that registrant's said registrations must be restricted to the area comprising the entire United States except the town of Myrtle Beach, South Carolina. cf. Nationwide Mutual Insurance Company v. Securance Services, Inc., 147 USPQ 258 (TT&A Bd., 1965).

Decision:

Applicant, Holiday Inn, is not entitled to a registration of its mark "HOLIDAY INN" for motel services, namely, providing lodgings, refreshments and meals in a motel for the area comprising the town of Myrtle Beach, South Carolina.

The registrations of the party Holiday Inns, Inc., i.e., Registration No. 592,539 for the mark "HOLIDAY INN"; Registration No. 592,540 for the mark "HOLIDAY INN"; and Registration No. 592,541 for the mark "HOLIDAY INN" and design, all for use in connection with motel services, namely, providing lodgings and meals in motels, will be limited to the area comprising the entire United States except the town of Myrtle Beach, South Carolina.

APPENDIX G

United States Court of Customs and Patent Appeals

Patent Appeal Nos. 76-546, 76-547

HOLIDAY INN,

Appellant,

v.

HOLIDAY INNS, INC.,

Appellee.

HOLIDAY INNS, INC.,

Appellant,

v.

HOLIDAY INN,

Appellee.

May 6, 1976

Rehearing Denied July 8, 1976

Stephen B. Judlowe, Roy C. Hopgood, Hopgood, Calimafde, Kalil, Blaustein & Lieberman, New York City, attys. of record, for appellant, cross-appellee.

James L. Kurtz, Washington, D. C., atty. of record, for appellee, cross-appellant.

Before MARKEY, Chief Judge, and RICH, BALDWIN, LANE and MILLER, Judges.

RICH, Judge.

These are cross appeals from a decision of the Patent and Trademark Office (PTO) Trademark Trial and Appeal Board (TTAB), 188 U.S.P.Q. 471 (1975), in a concurrent use proceeding, No. 350.[1] In No. 76-546, applicant Holiday Inn appeals from the TTAB's refusal to register the word mark HOLIDAY INN to it. In No. 76-547, Holiday Inns, Inc., appeals from the TTAB's imposition of restrictions on its three registrations[2] of "Holiday Inn" in various design forms, hereinafter described. We reverse.

Here involved is litigation between the parties to this proceeding in the United States District Court for the District of South Carolina, Florence Division, *Holiday Inns, Inc. v. Holiday Inn,* 364 F.Supp. 775, 177 U.S.P.Q. 640 (1973), *affirmed on the District Court opinion,* 498 F.2d 1397, 182 U.S.P.Q. 129 (CA4 1974). This concurrent use proceeding was suspended during the pendency of that litigation, and the TTAB rendered its decision after its conclusion. Familiarity with the opinions in the litigation and with the opinion of the TTAB is assumed. The TTAB rested its decision on the facts as found in the Fourth Circuit litigation. We deem them to be controlling here.

Although there are nominally two appeals before us, they are taken from a single decision of the TTAB. Inherently, however, a concurrent use proceeding involves an adjudication of the rights of two parties. This proceeding was commenced by the filing of an application by Holiday

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1. Contrary to what may be concluded from *In re Beatrice Foods Co.,* 429 F.2d 466, 57 CCPA 1302, 166 U.S.P.Q. 431 (1970), this case is the *third* concurrent use proceeding to come before this court. The first one was *Silber v. Bullseye Corp.,* 254 F.2d 405, 45 CCPA 906, 117 U.S.P.Q. 358 (1958).

2. Nos. 592,539; 592,540; 592,541, registered July 13, 1954, all for "Motel Services—Namely, Providing Lodgings and Meals in Motels," and all claiming first use Mar. 1, 1952.

Inn (a corporation), appellant and cross-appellee, to register HOLIDAY INN, application serial No. 367,335, filed August 6, 1970, as a service mark for "motel services, namely, providing lodgings, refreshments and meals in a motel." The application has always been for a territorially restricted registration. As amended, the restriction is "for the area of repute comprising Myrtle Beach, South Carolina." The application as filed explained that the reason for asking for a restricted registration was applicant's understanding that outside of the named "area of repute" Holiday Inns of America, Inc., or its licensees or franchisees, had been providing motel services under the mark HOLIDAY INN, since 1952 but subsequent to applicant's first use in 1949. Knowledge of the aforesaid registrations to Holiday Inns of America (now Holiday Inns, Inc.) was recited.

The application for the restricted registration was ultimately passed to publication on October 4, 1971, "subject to a Concurrent Use Proceeding with" the aforesaid three registrations. January 20, 1972, the PTO sent out a concurrent use letter and instituted the concurrent use proceeding. February 25, 1972, Holiday Inns, Inc., moved to stay the proceeding in view of the litigation in the federal court in South Carolina, as well as other litigation in a county court in that state. The motion was granted without objection.

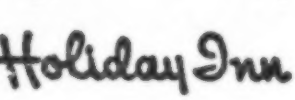
In September 1974 the PTO was advised of the outcome of the litigation, and on October 25 the TTAB revived the concurrent use proceeding by issuing an order to show cause why the applicant should not be granted a concurrent use registration as requested and why the three registrations of Holiday Inns, Inc., "should not be limited so as

to exclude the area comprising Myrtle Beach, South Carolina." Holiday Inns, Inc., responded with an extensive memorandum opposing both of the TTAB's suggestions. Applicant filed a response saying it saw no reason why it should not be granted its restricted registration "for what a court of competent jurisdiction has finally determined to be the prior user's * * * lawful right." Interestingly, it said nothing about the restriction proposed for the registrations of Holiday Inns, Inc. Thereafter the TTAB rendered the decision from which this appeal was taken, refusing applicant's registration and restricting the issued registrations.

To avoid confusion, we shall hereinafter refer to Holiday Inn as the "Applicant" and to Holiday Inns, Inc., as the "Chain."

The facts determinative of this appeal which were established, as between the parties, in the aforesaid Fourth Circuit litigation, are the following. Applicant, through its predecessor's in business, was the first user of HOLIDAY INN for motel services, its use being solely in connection with its motel in Myrtle Beach, which use began in 1949. Commencing in 1952, the Chain acquired trademark rights in "Holiday Inn" and procured the aforesaid three registrations, each depicting the mark in a distinctive form, as shown below, the drawing of Reg. 592,541 being in the amended form, in accordance with an amendment filed May 27, 1975. That particular registation was referred to in the litigation as the "great sign."

592,539

592,540 

592,541

The Chain, owning or franchising about 1,300 facilities in the United States, has been adjudged entitled to the exclusive use of these trademarks throughout the United States, and these registrations are presently unrestricted. Applicant's application concedes this, except for Myrtle Beach. As to this area of Appliant's "repute," however, Applicant is under an injunction resulting from the Fourth Circuit litigation which reads:

> 1. The defendant [Applicant], its officers, agents, servants, employees and attorneys and all those persons in active concert or participation therewith, who receive actual notice hereof, are hereby perpetually enjoined and restrained from:
>
> (a) Using either directly or indirectly a script identical to or any colorable imitation of plaintiff's script Holiday Inn on the outside of its building, on any billboards or on any advertising material.
>
> (b) Using directly or indirectly its version of plaintiff's "great sign" or any colorable imitation thereof.
>
> • • •
>
> (d) Using directly or indirectly any sign, script, slogan or star design, color combination or other

indicia of plaintiff that suggests or tends to suggest a connection with the plaintiff.

(e) Using directly or indirectly any indication that the defendant name is registered in the United States Patent Office.

(f) Directly or indirectly infringing United States Patent Office registered numbers 592,535 [592,539]; 593,540 [592,540]; 592,541; 708,521 and 740,362.[3]

(g) Directly or indirectly committing any act divesting or attending [attempting] to divest the plaintiff of the good will it has in its registered marks on [or] any act which encroaches upon the good will that the plaintiff has acquired in its registered marks.[4]

Also relevant here is the following paragraph from the final judgment:

4. The defendant [Applicant] has the right to continue using the name Holiday Inn within the town of Myrtle Beach, South Carolina, and in order to protect the public from unnecessary confusion the court finds that the defendant Strand [a Chain franchisee] must continue to operate its Myrtle Beach, South Carolina facilities under the name of Holiday Lodge and Holiday Downtown, however, it may continue to operate its North Myrtle Beach, South Carolina facility under the name of Holiday Inn and plaintiff [the Chain] may continue to operate Holiday Inn Trav-L-Park under its existing name. Strand may continue to use Holiday Inn and Holiday Inn ® on towels, sheets, blankets, etc., and other items used inside the Myrtle Beach, South Carolina, facilities.

3. The last two registrations are not involved in this appeal.

4. This injunction is as it appears in the final judgment of the District Court. The bracketed numbers and words are those used in the court's conclusions of law and were clearly intended.

Applicant's Right to Registration

The TTAB refused to grant Applicant a restricted registration of the mark HOLIDAY INN because of (a) its belief the § 2(d) "permits the issuance of concurrent registrations only when confusion, mistake, or deception is not likely" and (b) its opinion that, under the factual situation of this case, "the inevitable result is and will be one of confusion * * *." On point (a), it cited our decision in *In re Beatrice Foods Co.*, 429 F.2d 466, 57 CCPA 1302, 166 U.S.P.Q. 431 (1970).

Upon review of our opinion in *Beatrice*, we note that the case had nothing to do with a situation in which the respective rights of the parties to a concurrent use proceeding had been settled by a court decision. *Beatrice* involved two applicants who had reached agreement on territorial rights, and the problems we had to solve all arose from the refusal of the then Patent Office to recognize the rights agreed upon. What we there said about likelihood of confusion had validity in the situation then before us and still has validity in similar situations; but we were not there discussing a situation like the present one or even that part of the statute which controls here.

More in point on the present fact situation is *Alfred Dunhill of London, Inc. v. Dunhill Tailored Clothes, Inc.*, 293 F.2d 685, 49 CCPA 730, 130 U.S.P.Q. 412 (1961), *cert. denied*, 369 U.S. 864, 82 S.Ct. 1030, 8 L.Ed.2d 84 (1962), wherein, as here, a final court judgment had determined the respective rights of the parties to use marks including "Dunhill." As our opinion points out, it had also been determined by the court that confusion of the public had resulted from concurrent use of "Dunhill" by both parties.

Nevertheless, because of an estoppel situation, the New York court had determined that the applicant had a right to continuing use of "Dunhill" notwithstanding the registrant-opposer's rights—and notwithstanding the possibility of public confusion. In its judgment, which included an injunction, and with a view to *minimizing*, but not necessarily eliminating, confusion, the court spelled out just how the applicant could use "Dunhill" and on what goods. The form was to be DUNHILL TAILORS, both words to be on a line, of the same type, size, and color, and always in capital letters. In the opposition which was before us, we considered the court's determination to be controlling and the applicable statutory law to be that portion of the concurrent use proviso of § 2(d) (15 U.S.C. § 1052(d)) corresponding to the part which now, as revised by the 1962 amendments, reads:

> Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce.

Applicant relies on this provision here.

The Chain's position throughout this proceeding, which seems to have been adopted by the TTAB, has been that even when courts, after a full trial and review on appeal, have fully settled the rights of parties to a litigation respecting trademark use—taking into account public interest as well as the parties' rights—the Commissioner *cannot* issue a restricted registration without first determining that there is no likelihood of confusion. The Chain also emphasizes the word "may" in the above quotation from § 2(d).

We disagree with the Chain's position. It is clearly contrary to what we did in *Dunhill*. All members of the court deciding that case were fully aware that there had been confusion, was likely to be more, and that the court which adjudicated the applicant's right to use, in imposing conditions on the manner of use, hoped only to minimize, not to eliminate, confusion[5] and, of course, to protect the other party's private rights. Nevertheless we decided that the applicant should have a restricted registration. The only reason we reversed the board's unqualified dismissal of the opposition was that it left the applicant in a position to obtain a registration without any conditions or limitations corresponding to those imposed upon it by the New York court decree fixing the limits on its right to use. *Dunhill*, as the opinion amply shows, was very like the present case in all its major features: the prior litigation between the same parties, the finding of infringement by the applicant and likelihood of public confusion, the injunction with an exception in favor of applicant's right to use but with restrictions. It differed from this case, however, in that the applicant in *Dunhill* was a *subsequent* user whose right to use depended on an estoppel while here Applicant is in an even better position to obtain registration as the *first* to use the mark by several years. Though *Dunhill* was an opposition, as we said in footnote 9 (n. 8 in F.2d and U.S.P.Q.):

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5. The *Dunhill* majority clearly recognized this in the sentence: in the instant case we have * * * a close question requiring the inhibitions of the injunction to minimize confusion.

293 F.2d at 692, 49 CCPA at 739, 130 U.S.P.Q. at 418. The two judges who wrote concurring opinions (which are in reality dissents) were fully persuaded there would be confusion.

> We do not see that it is of any practical significance that the present inter partes proceeding is called an "opposition" when the facts are such as to require a decision on an issue of concurrent registration.

The same is true in reverse.

As for the controlling statutory language of § 2(d), the wording of the section as it was at the time of *Dunhill* will be found in the opinion of Judge Martin in that case. There was language in the proviso similar to that of the present statute about the Commissioner determining "that confusion or mistake or deceit of purchasers is not likely to result from the continued use of said marks," but that did not deter us from approving a restricted registration "when a court has finally determined that more than one person is entitled to use the same or similar marks." In the present statute, as amended in 1962, subsequent to *Dunhill*, it appears to us that it has been made even more clear than it was in the original statute that the sentence referring to court determinations is independent of the opening words of the proviso referring to the Commissioner's determination that confusion, etc., is "not likely." We do not consider those words to be a limitation on the provision for granting concurrent registrations on the basis of determinations of right to use by courts of competent jurisdiction.

The Chain points to the word "may" in the sentence dealing with the court determination and argues that the sentence is merely permissive, allowing the Commissioner to register in the present situation only "if he should determine that the touchstone requirement—no likelihood of confusion—has een fulfilled." We disagree with this construction. Accord, *Avon Shoe Co. v. David Crystal, Inc.*,

279 F.2d 607, 615, 125 U.S.P.Q. 607, 614 (C.A. 2 1960). The word "may" is insufficient to condition the operation of the court determination sentence of § 2(d) on a preliminary finding of no likelihood of confusion by the Commissioner pursuant to the first sentence of the proviso. There are other obvious reasons for using "may." The Trademark Act contains many conditions on registration, other than no likelihood of confusion, which it is the Commissioner's duty to enforce. Courts may very well determine rights to *use* "marks" which are not technically trademarks, which fall into categories denied *registration* by the statute, which may be open to others than the parties to use, and in all cases every applicant to register must comply with all of the procedural requirements of the Patent and Trademark Office as set forth in statute and rules before the Commissioner is compelled to register. "May" is a very appropriate word in view of these considerations. We also note its use in the first sentence of the § 2(d) proviso where the requirement that the Commissioner find confusion, etc., to be "not likely" is found.

As we did in *Dunhill,* and for similar reasons, we find Applicant is entitled to a restricted registration wherein the "conditions and limitations" required by § 2(d) reasonably correspond to the final judgment of the Fourth Circuit court. In paragraph 4, the judgment gives Applicant "the right to continue using the name Holiday Inn within the town of Myrtle Beach, South Carolina." Applicant's application to register is now so limited. As to the form of the mark, the application presents it in plain typed capital letters which do not violate any part of the judgment. The specimen of facsimile of record in this court, however, appears to be violative of the judgment in that

its script resembles that of the marks in the Chain's registrations, and we suggest Applicant be required to submit new specimens conforming to the judgment.

We note, sua sponte, paragraph 1(e) of the judgment, supra, which prohibits Applicant from using "any indication that the defendant name is registered in the United States Patent Office," an appropriate injunction so long as it is not registered. We see no reason why, upon the issuance of a registration, Applicant should not be relieved of that disability, if appropriate action is taken.

For the foregoing and other reasons to be found in our *Dunhill* opinion, the decision of the TTAB refusing registration to Applicant is *reversed.*

Restriction of the Chain's Registrations

Registrations 592,539, 592,540, and 592,541 are now unrestricted, but the TTAB decision would limit them to exclude Myrtle Beach, South Carolina. This was error. *Nationwide Mutual Insurance Co. v. Securance Service, Inc.*, 147 U.S.P.Q. 258 (TTAB 1965), cited by the board, is not in point. Each of the marks of said registrations is in a particular design form which Applicant is enjoined from using. There is, therefore, no right in anyone who is adverse to the Chain to use those particular marks, even in Myrtle Beach. The TTAB relied on § 7(b) of the Trademark Act (15 U.S.C. § 1057(b)), particularly the provision that a certificate of registration is prima facie evidence of registrant's "exclusive right to use the mark," in holding that Applicant's "superior right" (in Myrtle Beach) is "inconsistent" with the registrations. We do not agree.

Section 7(b) does not grant a positive *right to use* the registered mark; the Trademark Act does not give to the

federal government power to grant positive rights to *use* marks and § 7(b) should not be so read. Under § 7(b), a certificate of registration is no more than prima facie *evidence,* and evidence only of an *exclusive* right, which right (as in the case of patents) means a right to *exclude others,* not a positive right to use. Cf. § 33(a) (15 U.S.C. § 1115(a)).[6] There is, therefore, no inconsistency between the Chain's above-named registrations and Applicant's right to use HOLIDAY INN in Myrtle Beach. The Chain *has* the right in Myrtle Beach *to exclude* Applicant from using its registered marks, reinforced by a court injunction against their use. Applicant, correspondingly, has no right to use them. There is, therefore, no reason to impose restrictions on the registrations because the Chain's right to exclude is, on the record, without exception.

The Chain further argues that "the involved registrations are valid and incontestable." "Incontestability" is provided for in § 15 (15 U.S.C. § 1065) of the Trademark Act. It says nothing about incontestability of *registra-*

6. For the construction of the term "exclusive right" as it appeared in the patent law, R.S. 4884, prior to the Patent Act of 1952, *see Ethyl Gasoline Corp. v. United States,* 309 U.S. 436, 456, 60 S.Ct. 618, 625, 84 L.Ed. 852, 861 (1940); *United Shoe Machinery Corp. v. United States,* 258 U.S. 451, 463, 42 S.Ct. 363, 367, 66 L.Ed. 708, 719 (1922); and *Bloomer v. McQuewan,* 14 How. (55 U.S.) 539, 549, 14 L.Ed. 532, 548 (1852). The present patent law, of course, states exactly what the patent right is and always has been, "the right to exclude others from making, using, or selling the invention." 35 U.S.C. § 154. That the right *to use* a trademark or service mark is independent of the Trademark Act is evident from a number of considerations. It is fundamental that ownership of a mark is acquired by use, not by registration. One must be the owner of a mark before it can be registered. The right to use is unaffected either by failure to register or expiration of a registration. Not even the right to exclude is obtained from registration of trademarks and service marks.

tions,[7] notwithstanding the popularity of the phrase. The only thing which ever becomes incontestable, whatever may be the significance of "incontestability," is "the right of the registrant to use," and even that is subject to numerous provisos.[8] Assuming that the Chain's right to use its marks as registered is incontestable under § 15, that section contains an exception which covers Applicant's situation, as recognized by the Fourth Circuit courts. It must be remembered that Applicant is the prior user. The exception, which is immediately antecedent to the statement of incontestable right to use, reads:

> * * * except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of the publication under this Act of such registered mark * * *.

Under the law of South Carolina, Applicant acquired by use of HOLIDAY INN a right therein which would be infringed by the Chain's marks if the Chain used them in Myrtle Beach, and that right was acquired long before publication of the Chain's marks under the Act. Therefore,

---

7. Some writers have similarly referred to *marks* becoming incontestable, whatever that means. We also note that the statute contains no provision to that effect.

8. See 1 J. McCarthy, *Trademarks and Unfair Competition* 741 (1973), where he says:

> The "incontestability" of a registration is purely relative, for even an incontestable registration is always subject to the seven defenses enumerated in § 33(b) of the Act. Additionally, even an incontestable mark is always subject to certain enumerated grounds for cancellation of the registration. [Citing in footnotes § 14(c) and (e).]

Even this text falls into the error of speaking of incontestable marks and registrations.

the Chain has no statutory incontestable rights under its registrations as against Applicant in Myrtle Beach.

The decision of the board imposing restrictions on the Chain's registrations is, therefore, *reversed.*

Reasons of Appeal

Applicant's Point IIB is that "Registrant [the Chain] is barred from contesting the Board's decision limiting its registration, by failing to propound 'Reasons for Appeal' here." The Chain filed its notice of appeal with the Commissioner of Patents and Trademarks on August 7, 1975. January 2, 1975, the Trademark Act was amended by Public Law 93-600, 88 Stat. 1955, which so changed § 21(a)(2), (3), and (4) (15 U.S.C. § 1071) as to eliminate the requirement for reasons of appeal in trademark cases. Applicant's point is without foundation.[9]

Conclusion

The decision of the TTAB is in all respects *reversed* and the case is *remanded* for further proceedings consistent herewith.

REVERSED AND REMANDED.

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9. The abolition of reasons of appeal was first proposed by members of this court in 1963 when legislation was introduced. Over eleven years later the Congress finally passed a bill pertaining to trademark appeals. Nothing has yet passed concerning patent appeals, in which the law still requires reasons of appeal.

APPENDIX H

SUPREME COURT OF THE UNITED STATES

No. A-121

HOLIDAY INN,

Petitioner

v.

HOLIDAY INNS, INC.

ORDER EXTENDING TIME TO FILE PETITION FOR WRIT OF CERTIORARI

UPON CONSIDERATION of the application of counsel for petitioner,

IT IS ORDERED that the time for filing a petition for writ of certiorari in the above-entitled cause be, and the same is hereby, extended to and including August 22, 1981

/s/ WILLIAM J. BRENNAN, JR.

Associate Justice of the Supreme Court of the United States

Dated this 13th
day of August, 1981

APPENDIX I

Int. Cl.: 42

Prior U.S. Cl.: 100 Reg. No. 1,061,893

United States Patent Office Registered Mar. 22, 1977

SERVICE MARK

Principal Register

HOLIDAY INN

Holiday Inn (South Carolina corporation)
Myrtle Beach, S.C. 29577

For: MOTEL SERVICES—NAMELY, PROVIDING LODGINGS, REFRESHMENTS AND MEALS IN A MOTEL—in CLASS 100 (INT. CL. 42).

First use 1949; in commerce 1949.

The word "Inn" is disclaimed apart from the mark as shown.

Concurrent use restricted to the area comprising the town of Merytle Beach, S.C.

Ser. No. 367,335, filed Aug. 6, 1970.

Opposition

Office - Supreme Court, U.S.
FILED
OCT 26 1981
ALEXANDER L. STEVAS,
CLERK

No. 81-435

IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

HOLIDAY INN,

Petitioner,

v.

HOLIDAY INNS, INC.,

Respondent.

On Petition For A Writ of Certiorari To The United States Court of Appeals For the Fourth Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D.C.

The Respondent, Holiday Inns, Inc., respectfully requests that this Court deny the petition for writ of certiorari, seeking review of the Fourth Circuit's opinion which is reported at *Holiday Inns, Inc.* v. *Holiday Inn*, 645 F.2d 239 (4th Cir. 1981).

QUESTIONS PRESENTED

1. Whether this Court has jurisdiction of a petition that was filed outside the prescribed time to file same.

2. Whether there is a conflict between decisions of appellate courts whenthe alleged conflict is merely a statement made in dictum.

3. Whether the court below gave full consideration to the issues and decided them corrctly.

LIST OF PARTIES

Respondent accepts the statement of Petitioner as to the list of parties.

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IN THE

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OCTOBER TERM, 1981

No. 81-435

HOLIDAY INN,

Petitioner,

v.

HOLIDAY INNS, INC.,

Respondent.

On Petition For A Writ of Certiorari To The United States Court of Appeals For the Fourth Circuit

RESPONDENT'S BRIEF IN OPPOSITION

OPINIONS BELOW

Respondent accepts the statement of Petitioner as to the opinions below.

JURISDICTION OF THE COURT

Petitioner seeks review of the decision dated April 3, 1981, of the Court of Appeals For The Fourth Circuit. Petitioner requested a rehearing, and such rehearing was denied on May 14, 1981. The petition for certiorari to this Court pursuant to 28 U.S.C. § 2101(c) was originally due on August 12, 1981. Petitioner obtained an extension until August 22, 1981, to file its petition (see Petitioner's Appendix H). Petitioner filed its petition outside of the prescribed time. Thus, this Court does not have jurisdiction of this petition. This matter will be discussed more fully hereafter.

STATUTORY PROVISIONS INVOLVED

Respondent accepts the statement of Petitioner as to the statutory provisions involved.

STATEMENT OF THE CASE

The litigation between the Petitioner and Respondent commenced in the early 1970's. Respondent, the national hotel chain, sued the Petitioner, the owner of a ninety (90) unit hotel in Myrtle Beach, South Carolina, for unfair competition and service mark infringement. Respondent charged that Petitioner used, without authorization, (1) the mark "Holiday Inn" in a script form identical to that previously used by Respondent; (2) a sign design substantially identical to the "Great Sign" previously used by the Respondent.

After a bench trial, the trial court found in favor of the Respondent with respect to each of its basic allegations. The trial court concluded that there had been confusion between the Petitioner's and Respondent's service marks on the part of travelers in Myrtle Beach, South Carolina, and such confusion was caused by Petitioner. The trial court said:

> ". . . confusion has been deliberarely and systematically nutured by the defendant [Petitioner] in an effort to profit from the national recognition of the plaintiff [Respondent]."

Holiday Inns, Inc. v. *Holiday Inn,* 364 F. Supp. 775, 780 (D.S.C. 1973), *aff'd,* 498 F.2d 1397 (4th Cir. 1974).

The trial court pointed out that the use of the "circle R" was among one of the Petitioner's deliberate efforts to foster confusion.

> "In addition to constructing a sign similar to the 'great sign' and adopting large script lettering sub-

> stantially identical to that of the plaintiff, [Respondent] the defendant [Petitioner] has used the [circle R] designation in association with its name on towels, parking stickers, notices to guests and occasionally in advertisements."

Id. at 780

The court enjoined the Petitioner from continuing its efforts to foster confusion. Among other prohibitions, the injunction stated that the Petitioner was perpetually enjoined and restrained from "[u]sing directly or indirectly any indication that the Defendant [Petitioner] name is registered in the United States Patent Office." 364 F. Supp. at 786.

The trial court allowed the Petitioner to use the mark HOLIDAY INN only in the town of Myrtle Beach, South Carolina. As a result of this holding, Petitioner sought in the United States Patent And Trademark Office a concurrent use registration for the mark HOLIDAY INN for the town of Myrtle Beach, South Carolina. The application was denied by the Trademark Trial And Appeal Board of the United States Patent And Trademark Office (See Petitioner's Appendix F) Petitioner appealed that decision to the Court of Cstoms And Patent Appeals. The Court Of Customs And Patent Appeals reversed (See Petitioner's Appendix G) the Trademark Trial And Appeal Board and in due course Registration No. 1,061,893 covering only the town of Myrtle Beach was issued to Petitioner. (See Petitioner's Appendix I)

On or about January 15, 1979, approximately two years after the issuance of Registration No. 1,061,893, Petitioner filed a motion seeking a modification of the injunction issued against it and requesting the right to give notice pursuant to 15 U.S.C. 1111 with respect to its mark HOLIDAY INN. No evidence was introduced by way of affidavits or otherwise in support of the motion.

The trial judge asked the Petitioner to explain how it would be affected by its failure to give notice as provided in 15 U.S.C. 1111. Petitioner responded, however, the trial judge was unimpressed with the arguments of Petitioner and denied the motion on October 24, 1979. (Petitioner's Appendix C)

Petitioner then appealed that decision to the Court of Appeals For The Fourth Circuit. The Fourth Circuit was also unimpressed with Petitioner's need to modify the injunction and it affirmed the trial court's denial of Petitioner's motion. It is from this decision that Petitioner has sought review by means of the instant petition.

REASONS FOR NOT GRANTING THE PETITION FOR CERTIORARI

A. The Petition For Certiorari Was Not Timely Filed

As stated earlier, the Fourth Circuit Court Of Appeals rendered its opinion in this particular matter on April 3, 1981. (Petitioner's Appendix A). Petitioner requested a rehearing and said request was denied on May 14, 1981. (Petitioner's Appendix B) Accordingly, pursuant to 28 U.S.C. 2101(c), Petitioner's petition for certiorari in this Court was due to be filed ninety days later, namely, on August 12, 1981. On August 12, 1981, Petitioner filed in this Court a handwritten petition for certiorari This handwritten petition for certiorari did not comply with Rule 33 of this Court. At this same time, Petitioner requested an extension of time to file its printed petition for certiorari. Such request was granted, and Petitioner was allowed until August 22, 1981, to file its petition for certiorari. On August 26, 1981, some four days after the due date, Petitioner again ignored the Court's rules and filed a typewritten version of the petition for certiorari in this Court. This petition was returned to counsel for Petitioner for the reason that it did not comply with Rule 33 of this

Court. Petitioner was aware of the fact that the petition needed to be printed and, in fact, Petitioner so stated that in its request filed on August 12, 1981, to extend the time to file its petition.

On September 2, 1981, Petitioner filed a printed version of its petition for certiorari. The printed version was significantly different from the handwritten petition filed on August 12, 1981.

Thus, this Court lacks jurisdiction of this petition because Petitioner failed to file its petition prior to August 22, 1981. 28 U.S.C. 2101(c) is a jurisdictional statute and the provisions thereof must be strictly followed.

Petitioner further violated the Rules of this Court by failing to serve the handwritten petition on counsel for Respondent until September 8, 1981, a date well after the date Petitioner filed its written, typewritten and printed versions. Also, Petitioner never served its typewritten version of its petition on counsel for Respondent.

Counsel for Petitioner in this case has flagrantly violated the Rules of this Court. Petitioner's counsel has been a member of this Court for over fifteen years. He and his firm have filed many petitions for certiorari to this Court. They are aware of the Rules of this Court and they deliberarely and flagrantly violated same. Pettioner should not be allowed to benefit from these violations. The petition for certiorari was not timely filed and it should be denied. There is precedent for such action.

In the case of *Tina Deal* v. *Cincinnati Board of Education*, 402 U.S. 962 (1971), this Court denied a petition for certiorari that arrived in this Court one day after the time for filing a petition for certiorari had expired. The late filing was due to the fact that the petition was lost by

Piedmont Airlines, the delivery service that agreed to deliver the document to Washington.

In the case of *Walter D. Teague III* v. *Regional Commissioner Of Customs*, 394 U.S. 977 (1969) a petition for certiorari was denied that was filed two days after the statutory period in which to file such a petition had expired. The petition papers were delayed in that case by an unusually severe snowstorm in New York City which delayed the petition from reaching this court on time.

In the cases cited above, the petition was denied even though extenuating circumstances existed. Here, there are no extenuating circumstances. The petition was due on August 12, 1981, and by this Court's order the date was extended to August 22, 1981. Petitioner failed to meet both of these dates and there is no plausible explanation for such failure.

Also, the Petitioner cannot now say that the handwritten version filed on August 12, 1981, or the typewritten version filed on August 26, 1981, satisfied this Court's Rules. By requesting additional time to August 22, 1981, to file the petition, and by filing a printed version of the petition that is significantly different from the handwritten and typewritten versions, Petitioner has in effect withdrawn the handwritten and typewritten versions from consideration. Thus, Petitioner is saddled with the printed version that was filed eleven (11) days late. In such circumstances, this Court should deny the petition for certiorari.

B. There Is No Conflict Between The Decision Of The Fourth Circuit Court Of Appeals And The Court Of Customs And Patent Appeals

Petitioner argues that "The CCPA [Court Of Customs And Patent Appeals] expressly stated that petitioner,

pursuant to 15 USC 1111 should be allowed to use the registration notice." The Court Of Customs And Patent Appeals (CCPA) made no such statement. The CCPA said the following:

> "We note, sua sponte, paragraph 1(e) of the judgment, supra, which prohibits Applicant from using 'any indication that the defendant name is registered in the United States Patent Office,' an appropriate injunction so long as it is not registered. We see no reason why, upon the issuance of a registration, Applicant should not be relieved of that disability, if *appropriate action* is taken." (Emphasis added)

Holiday, Inn v. *Holiday Inns, Inc.*, 534 F.2d 312, 319 (CCPA 1976).

The above quoted language is clear and unequivocal. The CCPA was saying that Petitioner was entitled to use the indication that its mark was registered, provided it took "appropriate action," namely filing a motion to modify the injunction and such motion being granted. Petitioner filed a motion to modify the injunction, but this motion was denied and the denial was affirmed on appeal. Thus, the "appropriate action" criteria set down by the CCPA was not met.

In addition, the statement made by the CCPA was dictum. This statement was not made by the CCPA as a necessary element of deciding the appeal then before it. Thus, the refusal of the Fourth Circuit Court Of Appeals to allow Petitioner to use the indication that its mark was registered is not in conflict with the CCPA. The "in conflict doctrine" relates only to conflicting decisions of courts of appeal on the same matter of law or fact, not merely an inconsistency in dicta or in general principles

utilized. This principle is well stated in *Supreme Court Practice,* Fifth Edition, Stern and Gressman, at page 264:

> "A well established ground for granting certiorari is the existence of a conflict between the decision as to which review is sought and that rendered by the Supreme Court or some lower court whose judgment is final in the absence of Supreme Court review. *This means that there must be a real conflict on the same matter of law or fact, not merely an inconsistency in dicta or in the general principles utilized.*" (Emphasis added)

C. The Decision Below Gave Fill Consideration To The Issues And Decided Them Correctly

The Petitioner argues that the court below applied the wrong law in (a) using too strict a standard in its request to modify the injunction and (b) refusing to consider the right to use the registration notice as a property right. Such is not the case. The court below gave full consideration to these issues and decided them correctly.

1. The refusal to modify the injunction was not an abuse of discretion

Under Rule 60(b)(5) and (6) of the Federal Rules Of Civil Procedure, a motion to modify an injunction is directed to the sound discretion of the trial court and the determination of the trial court should not be disturbed except for an abuse of discretion. Such proposition was simply stated in the case of *Wojton* v. *Marks,* 344 F.2d 222 (7th Cir. 1965):

> "A district court has wide discretion in passing upon a motion under Rule 60(b) and its action should not be set aside lightly without a showing of abuse of discretion."

Id. at 225.

See: *Russell* v. *Cunningham*, 279 F.2d 797, 804 (9th Cir. 1960); *Elgin Nat. Watch Co.* v. *Barrett, Et. Al.*, 213 F.2d 776, 780 (5th Cir. 1954); *Westerly Electronics Corp.* v. *Walter Kidde & Co.*, 367 F.2d 269, 270 (2nd Cir. 1966); *United States Fidelity And Guaranty Company* v. *Lawrenson*, 334 F.2d 464, 466 (4th Cir. 1964); *United States* v. *Jacobs*, 298 F.2d 469, 472 and 473 (4th Cir. 1961).

The guidelines for modifying or dissolving an injunction were set forth by this Court in the case of *United States* v. *Swift & Co.*, 286 U.S. 106 (1933):

> "There is need to keep in mind steadily the limits of inquiry proper to the case before us. We are not framing a decree. We are asking ourselves whether anything has happened that will justify us now in changing a decree. *The injunction, whether right or wrong, is not subject to impeachment* in its application to the conditions that existed at its making.
>
> . . . The inquiry for us is whether the changes are *so important that dangers, once substantial, have become attenuated to a shadow.* No doubt the defendants will be better off if the injunction is relaxed, but they are not suffering hardship so extreme and unexpected as to justify us in saying that they are the victims of oppression. . . ."

Id. at 119 (Emphasis added).

Petitioner, in its brief on appeal before the Fourth Circuit Court of Appeals, relied upon the *Swift & Co.* case. It now wishes to repudiate this precedent. In addition, Petitioner argued that the test of *Swift & Co.* was too strict for the first time in its petition for rehearing in the court below.

The Petitioner, in its submission to the trial court and the court below, made no showing that the dangers

which the original decree was meant to foreclose had disappeared. Petitioner failed to introduce any evidence which would support the conclusion that the confusion resulting from the concurrent use of the marks HOLIDAY INN in Myrtle Beach had disappeared.

At the original trial of this case, the trial judge said:

> "The infringements of the defendant [Petitioner] have been willful and deliberate and represent unfair competition and an effort on the part of the defendant [Petitioner] to identify with and trade upon the plaintiff's [Respondent's] good will."

364 F. Supp. at 783.

* * *

> "In the present case, the plaintiff's [Respondent's] wrong, if any, is delay, while the defendant's [Petitioner's] wrong is intentional deception and use of plaintiff's [Respondent's] marks to the detriment of the plaintiff [Respondent] and the confusion of the public. The Court has the responsibility of protecting the public from such confusion, mistake or deception."

364 F. Supp. at 784.

The trial judge fashioned an injunction in a manner to meet the responsibility of avoiding confusion of the public. It appears here that Petitioner now wishes to go back to its old ways of fostering confusion. The trial court, after considering Petitioner's arguments in support of its motion to modify, refused to modify the injunction and said:

> "The claim that use of the registration notice will 'ameliorate confusion' just does not stand up. To ameliorate means to improve or make better, and certainly the addition of ® following the defendant's name in block letters will actually make it look more

> like the plaintiff's mark and thereby compound rather than ameliorate any confusion."

Petitioner's Appendix C6.

The court below also commented that the use of the ® would allow Petitioner to trade upon the Respondent's good will.

> "The Local's behavior in the past predicts what its conduct may, with reason, be expected in the future if the Chain's trademarks are stripped of their potency by the duplication. Clearly, it will allow the Local to 'identify with and trade upon the [Chain's] good will,' to quote the language of the trial judge. *Id.* at 783.
>
> "To repeat, appellant's motion does not meet Justice Cardozo's measure of justification for 'changing' the injunction. 286 U.S. at 119. Truth is the Local's misconduct evinces no hint of cessation or dilution. On the contrary, it has never lessened in its constancy. Amazing, indeed, is the failure of the Local to give evidence of any diminution in its imitating of the Chain's presentations."

645 F.2d at 242.

Clearly, the courts below gave full consideration as to the legal standards to apply in modifying an injunction and applied those standards correctly.

2. The refusal to modify the injunction did not deny the petitioner of any property rights

In the court below the question arose whether the issuance of a trademark registration conferred property rights upon the owner of the registration. This question was briefed by both sides. The case law clearly supported the legal principle that:

> "Mere registration under the Federal Act does not create a trademark and confers no new rights to the

> mark claimed, nor, indeed any greater rights than already existed at common law without registration."

Walgreen Drug Stores, Inc. v. *Obear Nester Glass Company,* 113 F.2d 956, (8th Cir. 1940).

See: *Turner* v. *H M H Publishing Company,* 380 F.2d 224, (5th Cir. 1967); *Faciane* v. *Starner,* 230 F.2d 732, 738 (5th Cir. 1956); *Schwinn Bicycle Company* v. *Murray Ohio Manufacturing Company,* 339 F. Supp. 973, 979 (M.D. Tenn. 1971), aff'd 475 F.2d 975 (6th Cir. 1972; *Best & Co.* v. *Miller,* 67 F. Supp. 809, 822 (S.D.N.Y. 1946); aff'd 167 F.2d 374, 376 (2nd Cir. 1948); *Tillamook Creamery Assoc.* v. *Tillamook Cheese Assn.* 34[illegible] F.2d 158, 160, 161 (9th Cir. 1965) footnote 2.

Clearly, if the issuance of a registration conveys no property rights, then it follows that the ability to use the ® is not a property right. Thus, under the overwhelming precedent, it must be concluded that Petitioner was not denied any of its constitutional rights by the courts below.

CONCLUSION

The petition for certiorari in this case is unmeritorious for the following reasons: (a) it was not timely filed; (b) there is no conflict among appellate court decisions; and (c) the courts below considered the proper law and applied such law properly.

Accordingly, Respondent respectfully requests that this petition for certiorari be denied.

Respectfully submitted,

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Petitioner's Reply Brief

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No. 81-435

IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

HOLIDAY INN,

Petitioner,

v.

HOLIDAY INNS, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

PETITIONER'S REPLY BRIEF

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PETITIONER'S REPLY BRIEF

The Petitioner, Holiday Inn, hereby replies to arguments first raised in the brief by Respondent Holiday Inns, Inc.

Reply To Respondent's Arguments

I A Real Conflict Exists Between The Fourth Circuit Court of Appeals And The Court of Customs and Patent Appeals

Respondent argues that the conflict between the decision of the Fourth Circuit Court of Appeals (*See* Petitioner's Appendix A) and the decision of the Court of Customs and Patent Appeals ("CCPA"; *See* Petitioner's Appendix G) is not a "real" one but is actually merely an "inconsistency in dicta or in the general principles utilized." That position is incorrect.

What the CCPA *decided* was that "the decision of the TTAB refusing registration to Applicant [Petitioner] is *reversed*" (*See* Petitioner's Appendix G12), i.e., the CCPA granted Petitioner's registration. By operation of law, 15 U.S.C. §1111, Petitioner then had the right to display the registration notice. Accordingly,

grant of the registration infers the right to display the registration notice, assuming the validity of 15 U.S.C. §1111.

What the Fourth Circuit Court of Appeals *decided* was that the "conclusions of the District Court will be *Affirmed*" (*See* Petitioners Appendix A7). The District Court concluded that that part of the injunction which prohibited Petitioner from using the registration notice would not be modified. Accordingly, the Fourth Circuit decided that Petitioner could not use the registration notice even though Petitioner had a federal trademark registration.

The decisions of the CCPA and the Fourth Circuit, as well as their effects, are in direct conflict.

II Petitioner Did Not Rely Upon* United States *v.* Swift & Co. *as That Decision Is Interpreted By The Court Below

Respondent argues that Petitioner relied upon *United States* v. *Swift & Co.*, 286 U.S. 106 (1933) "in its brief on appeal before the Fourth Circuit Court of Appeals". Petitioner did not rely on *Swift* but in subsequent decisions which, Petitioner believes, appropriately applied the *Swift* doctrine. For example, the Court of Appeals for the Eighth Circuit cited *Swift* when stating that:

> "It is well established that injunctions do not give rise to vested rights; they enforce only rights existing under current law and conditions" [*Flavor Corp. of America* v. *Kemin Industries, Inc.*, 503 F. 2d 729, 732 (8th Cir. 1974)]

Furthermore, this Court in *System Federation 91* v. *Wright*, 364 U.S. 642, 647 (1961) cited *Swift* for the proposition that:

> There is also no dispute but that a sound judicial discretion may call for the modification of the terms of an injunctive decree if the circumstances, whether of fact or law, obtaining at the time of its issuance have changed, or new ones have since arisen.
>
> • • •
>
> [T]he court cannot be required to disregard significant changes in law or facts if it is satisfied that what it has been doing has been turned through changing circumstances into an instrument of wrong.

New circumstances have arisen in the instant case which require a modification of the injunction. Petitioner has acquired a federal trademark registration and is statutorily entitled to use the registration notice.

Petitioner's position is that *Swift* has been improperly applied by the Fourth Circuit Court of Appeals and that the proper test for injunction modification is a "flexible one, greatly dependent upon the particular facts of the case" (*See* Judge Phillips' dissenting opinion at Petitioner's Appendix A15).

In support of the decision below, Respondent merely quotes *Swift* with approval and incorrectly asserts that "in its submission to the trial court and the court below, [Petitioner] made no showing that the dangers which the original decree was meant to foreclose had disappeared." That assertion is incorrect since Petitioner presented to the trial court conclusive evidence that the danger which the part of the decree which Petitioner was attempting to modify (i.e., the prohibition against illegal use of the registration notice) had disappeared. Petitioner presented its federal trademark registration certificate (Petitioner's Appendix I) which converted a once illegal act (use of registration notice prior to issuance of registration) into one which is statutorily (15 U.S.C. §1111) sanctioned.

III Respondent's Authorities Are Not Inconsistent With The Proposition That the Right to Use the Registration Notice Constitutes A Property Right

Respondent has presented six authorities which allegedly stand for the proposition that registration confers no new right to the mark claimed and no greater right than already existed at common law without registration. It should be noted, however, that none of these cases arise in the context of the right to use registration notice. There is good reason for that. This is the first case where any tribunal, anywhere, has denied, for any reason, the right to use the registration notice to one who has a federal trademark registration. Accordingly the issue has not arisen before and Respondent's "precedents" simply do not apply.

While case and other direct authority are not available, one may argue by analogy starting with an appropriate definition of property right. Using either of the definitions of property right

set forth in Petitioner's Petition (*See* pages 13 and 14), the right to use the registration notice is a property right.

IV The Petition Was Timely Filed

Respondent argues that the petition for certiorari in this case was not timely filed. While Respondent attempts to cloud the issue (by discussing unnecessary facts) and totally ignores the controlling Rule (33.7) of this Court, the pertinent facts, which establish that the petition was timely filed, are set forth as follows.

Petitioner filed its petition for certiorari on August 12, 1981. If that petition complied fully with Rule 33 of this Court, Respondent admits that it would have been timely filed. The August 12, 1981 petition admittedly did not comply with Rule 33 of this Court, but Rule 33.7 states that:

> "The Clerk shall not accept for filing any document presented in a form not in compliance with this Rule, but shall return it indicating to the defaulting party wherein he has failed to comply; *the filing, however, shall not thereby be deemed untimely provided that new and proper copies are promptly substituted*" [Emphasis added]

A petition which complies in all aspects was promptly substituted for the August 12, 1981 petition on September 2, 1981. It was properly served on Respondent's counsel pursuant to Rule 28 of this Court. The Clerk's Office accepted that petition for filing.[1] The petition was timely filed.

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1 Respondent's mere allegation that the September 2nd "printed version was significantly different from the handwritten petition filed on August 12, 1981" is without basis. Respondent makes no effort to specify these "significant differences" simply because they do not exist.

Conclusion

A real conflict, not a mere inconsistency in dicta or general principles utilized, exists between the Fourth Circuit Court of Appeals and the CCPA. The Court below misapplied the *Swift* doctrine to the particular facts of this case. The right to use the registration notice is a valuable property right and Respondent's authorities are not inconsistent therewith. The petition in this case was timely filed.

Respectfully submitted,

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